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ABSTRACT

Designed for first year students in postsecondary technical schools, this curriculum guide, comprising 22 modularized instructional subunits, is designed to create among the students (1) an awareness of the phenomenon of entrepreneurship, (2) motivation for exploring entrepreneurship as a distinct career option, (3) acquaintance with the skills, knowledges, and attitudes required of an entrepreneur, and (4) an insight into the problems and prospects inherent in entrepreneurship. Each of the 22 subunits is organized in four major units: Concept Factors, Personal Factors, World Factors, and Managerial Transition Factors. The subunits are designed to be taught in forty-four 50-minute sessions. However, the authors note that they are flexible to the extent that they can be taught in 40 sessions or spread over 48 or 50 sessions. (A 2-week orientation to the teaching of entrepreneurship is recommended for teachers who intend to use this curriculum.) Each unit begins with a brief introduction describing its major topics. With one exception, each subunit is designed to cover a single topic, which is described in the student objective for that subunit. Each subunit includes overall and enabling objectives, resources, information for the teacher on advance preparation, instructional activities, recommended class time, and a bibliography. (SH)

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INTRODUCTION TO ENTREPRENEURSHIP

Modularized Instructional Units

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U S DEPARTMENT OF HEALTH,
EDUCATION & WELFARE
NATIONAL INSTITUTE OF
EDUCATION

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The Center for Vocational Education
The Ohio State University
1960 Kenny Road
Columbus, Ohio 43210

1975

OE 011 790

THE CENTER MISSION STATEMENT

The Center for Vocational Education's mission is to increase the ability of diverse agencies, institutions, and organizations to solve educational problems relating to individual career planning and preparation. The Center fulfills its mission by:

- Generating knowledge through research
- Developing educational programs and products
- Evaluating individual program needs and outcomes
- Installing educational programs and products
- Operating information systems and services
- Conducting leadership development and training programs

PREFACE

In one of the very first efforts of its kind in the nation, The Center for Vocational Education has completed a four-month project entitled, "The Development of Entrepreneurs through Vocational Education." The project resulted in the development of a curriculum unit on this topic. Eleven educators from seven post-secondary technical schools in Ohio were trained to utilize the curriculum developed.

The development of entrepreneurs has acquired unprecedented educational relevance at the present time. Entrepreneurship development programs could help us solve some of the current problems such as increased unemployment, inflation, and recession. Such programs hold potentially unlimited contributions to areas of special concern such as equal opportunities for women and minorities, rehabilitation of ex-offenders and the handicapped, and self-employment for technically qualified unemployed persons. They could also help reduce the high mortality of small businesses. It has been estimated that while an average of 1,000 new small businesses are opened each business day, approximately 800 close their doors. A major reason for their failure is said to be lack of managerial "know-how." Perhaps an even more important reason is that the right people do not get the right training to start and develop the right businesses.

Training in entrepreneurship is the bridge between the aspiring entrepreneur and a successful business. And it is this bridge that The Center for Vocational Education has endeavored to build through its curriculum and training programs. The project efforts also represented initiatives in bridging the gap between vocational-technical education and entrepreneurship. Traditionally, vocational-technical education programs have focused their efforts on preparing students for employment and not for self-employment. It is now well established that entrepreneurs can be developed through educational programs. Vocational educators should note this development and incorporate it into their programs. This curriculum is aimed at helping this happen.

I wish to acknowledge the Division of Vocational Education, Ohio Department of Education, for sponsoring the project including: Byrl L. Shoemaker, Director; Bernard C. Nye and Darrell L. Parks, Assistant Directors.

David Bennington, Charles Ingraham, and Joe Volpe are acknowledged for their assistance as members of the Project Advisory Committee.

Appreciation is expressed to the eleven teachers from seven post-secondary technical schools in Ohio, who attended a three-week training

workshop at The Center designed to capacitate them to teach entrepreneurship, and who reviewed the first drafts of the curriculum.

Robert J. Baker, William Henderson, Nicholos C. Siropolis, and Sally Wertheim, project consultants, are acknowledged for their assistance on conducting sessions in the workshop on subunits relating to finance, marketing, decision making, and classroom climate, respectively.

Acknowledgement is due Christopher J. Kalangi, Project Director, Cynthia Anderson and Barbara Arwood, program assistants, who were The Center staff responsible for the conduct of the training program and this curriculum effort. Linda Agler, secretary, typed the drafts and assisted in organizing the workshop. Norman Singer, research specialist at The Center, provided technical assistance.

Robert E. Taylor
Director

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INTRODUCTION

Vocational-technical education is rather well suited to preparing entrepreneurs. It prepares students in technical skills which engender the confidence that enables a potential entrepreneur to undertake the calculated risk that is so imperative in entrepreneurship. Yet vocational-technical education has given attention to capacitating its students to employ their technical skills in their own businesses. However, it is no easy matter to prepare entrepreneurs. It calls for an individual with a complex combination of values, motivations, knowledges, skills, and attitudes. Any educational program for the development of entrepreneurs must draw from many disciplines.

The present curriculum, comprising twenty-two modularized instructional units, is an attempt to continue to the degree necessary, the disciplines of psychology, economics, social-psychology, and business management so as to provide in one course the curriculum appropriate for introducing entrepreneurship into post-secondary vocational-technical programs.

This curriculum should not be considered a course in business administration. It does not prepare the student to operate (manage) a business. Its emphasis is on introducing to the student the motivations, characteristics, skills, knowledges, and attitudes of an entrepreneur. It acquaints the student with the philosophy of entrepreneurship, its importance to himself, to the community, and to the nation at large. It introduces the student to the nature of the entrepreneur and the characteristic motivations of entrepreneurial behavior. It attempts, somewhat subtly, to "spark" those very same motivations within the student.

In summary, its purpose is to create among the students:

1. An awareness of the phenomenon of entrepreneurship;

2. Motivation for exploring entrepreneurship as a distinct and sublime career option;

3. Acquaintance with the skills, knowledges, and attitudes required of an entrepreneur; and

4. An insight into the problems and prospects inherent in entrepreneurship.

The curriculum is designed for freshmen in post-secondary technical schools. The subunits, organized in four units, can be taught in forty-four fifty-minute sessions. However, they are flexible to the extent that they can be taught in forty sessions or spread over about forty-eight or fifty sessions.

Teachers who intend to use this curriculum need to be oriented to the teaching of entrepreneurship. A recommended period of training is two weeks. In view of the multidisciplinary nature of the curriculum, it will be difficult for some teachers to instruct the entire course without assistance. In such cases, other teachers on the staff could be called upon to teach specific subjects in the course. Team-teaching could be utilized effectively in this case. Assistance from outside consultants would enhance some subunits.

The curriculum units which follow on preparing entrepreneurs is provided for your use in enhancing the vocational education offerings in your institution.

TEACHERS WHO ATTENDED THE TRAINING WORKSHOP ON

THE DEVELOPMENT OF ENTREPRENEURS THROUGH VOCATIONAL EDUCATION

The Center for Vocational Education

August 4 - 22, 1975

Name	Institution
Mr. Thomas Atkinson	Columbus Technical Institute
Mr. Charles Beard	Clark Technical College
Mr. John Blair	Clark Technical College
Mr. Charles Crabtree	Clark Technical College
Mr. Bob Elmer	Cincinnati Technical College
Miss Nancy Hultz	Muskingum Technical Institute
Mrs. Catherine Leedy	Sinclair College
Mr. Bob Mauger	Columbus Technical Institute
Mr. Charles Stock	Agricultural Technical Institute
Mr. Eugene Welch	Clark Technical College
Miss Ruth Wilson	Marion Technical College

NOTES TO THE INSTRUCTOR

This course consists of four units and twenty-two modularized instructional units which are termed subunits. Each unit deals with one set of factors considered essential in meeting the objectives of the course. They are: (1) Concept Factors, (2) Person Factors, (3) World Factors, and (4) Managerial Transition Factors. Each unit begins with a brief introduction describing its major topics. With one exception, each subunit is designed to cover a single topic. The topic is described in the student objective for that subunit.

In order to facilitate teacher planning, recommended times are listed for subunits as well as for each activity. The recommended time for each subunit follows the student objective while the recommended time for each activity is listed following the activity within the subunit.

Specific enabling objectives are provided for each subunit. At the teacher's discretion, it may be helpful to share these with the students before beginning each subunit.

In preparing for each subunit, read the entire subunit in advance. Review any notes listed under Advance Preparation. These are located immediately after the enabling objectives. Review this section well in advance of the session so that the required preparations can be accomplished.

A list of resources required for each subunit follows the advance preparation. These resources include Teacher Information Sheets, Student Information Sheets, Student Work Sheets, Transparencies, and any other teaching aids such as overhead projector.

Directions for completing instructional activities follow the resource list. While the specific activities have been carefully designed to accomplish the enabling objectives, teachers are encouraged to exercise their initiative. They can adapt, replace, or add to the instructional activities depending on class size and appropriateness of the subunit to student interest and background. Optional activities are provided when possible. Every attempt has been made to keep the instructional activities and resources simple and easily accessible to the teacher and the student.

Following the instructional activities, a brief bibliography is provided for each subunit. Only a few of these publications are intended for teacher information. The majority are simple publications intended for student use. Films and games are listed separately.

Copies of student hand out material and materials for preparing transparancies are packaged separately in addition to the originals in the curriculum so that the teacher can conveniently make copies.

UNIT I: CONCEPT FACTORS

A conceptual understanding of the phenomenon of entrepreneurship and a recapitulation of the philosophical and economic framework within which it operates and impacts is essential for the student who wishes to consider entrepreneurship as a career goal or anyone who wishes to familiarize himself with its dynamics.

The instructional activities in this unit are designed to develop an understanding of the terms enterprise and entrepreneur; the impact of entrepreneurial activity on the nation's economy; and its importance to the individual and the community.

While this course is on entrepreneurship and not on small business per se, almost all businesses start small and only a few grow into medium or large businesses. For this reason, insight into the characteristics and the advantages and disadvantages of small businesses is provided.

SUBUNIT: ENTREPRENEURSHIP AND ITS IMPACT ON ECONOMIC DEVELOPMENT

OBJECTIVE: Students define entrepreneurship and its impact on our nation's development.

Recommended class time: one hour

ENABLING OBJECTIVES:

1. Students define entrepreneur by comparing entrepreneurs' quotes with the definitions of enterprise and entrepreneur in a class discussion.

2. Students analyze the impact of entrepreneurial activity in a free enterprise economy by participating in class discussion about the value of free enterprise and major entrepreneurial events in the development of our nation.

3. Students analyze the potential for entrepreneurial activity in today's economy by participating in a class discussion about the emerging needs of people.

RESOURCES:

Overhead projector
Transparency 1, "Definitions of Enterprise and Entrepreneur."
Student Information Sheet 1, "Quotes from Entrepreneurs."
Teacher Information Sheet 1, "Definitions of Entrepreneur."
Teacher Information Sheet 2, "The Value of Free Enterprise."
Transparency 2, "Trends in Unemployment."

ADVANCE PREPARATION:

Review material to insert examples of local interest where appropriate, i.e., locate additional quotes for Student Information Sheet 1, "Quotes from Entrepreneurs."

INSTRUCTIONAL ACTIVITY:

° Project Transparency 1, "Definitions of Enterprise and Entrepreneur" and have the students read them. Hand out Student Information Sheet 1, "Quotes from Entrepreneurs." (Add to these quotes according to student interest with special attention to pertinent technologies.) Discuss the importance of the underlined words in the transparency by asking students to reflect on the quotes and then to describe the meaning of these words in the definition of entrepreneur and enterprise in the transparency.

After this, discuss the definitions of Marshall, Redlick, Hoselitz, Cole, and McClelland. Refer to Teacher Information Sheet 1, "Definitions of Entrepreneur."

Time for this activity is approximately 15 minutes.

- Have the class discuss the value of our free enterprise economy. There are several ways you may use to initiate the discussion. Some suggestions are listed in Teacher Information Sheet 2, "The Value of Free Enterprise." This discussion should also include the contributions of entrepreneurial efforts in the development of our nation. A few general suggestions follow:

Model "T" Ford	- Henry Ford
Reaper	- Cyrus McCormick
Sewing Machine	- Issac Singer
Mail-order distribution	- Montgomery Ward Richard Sears
Safety Razor	- Gillette

Choose examples unique to your technology or area of interest. Example: John Wanamaker (department store) and James Cash Penny (chain type store) influenced the field of retailing.

Time for this activity is 20 minutes.

- Discuss the role of entrepreneurship in today's national economy. Ask the students in which specific areas entrepreneurship can make a significant contribution. Examples are employment, addition of products and services, and community benefits. Base this discussion on the emerging needs of people.

You may initiate the discussion by:

Asking the students to name and list local entrepreneurs.

Illustrating the gravity of the unemployment situation by the graph on Transparency 2, "Trends in Unemployment - 1974-1975."

Asking the students what responsibilities they would have if they were to become entrepreneurs in our society today--their responsibility to their suppliers, employees, customers, and community.

Showing the movie, "New Entrepreneur - Careers for Now Series." Thirteen minutes. Color. Subject Area - Career Guidance.

Content: Denise Cobb is a young black woman who runs an organization called TLC Unlimited that provides cars and drivers for personalized services for travelers and business visitors. She has three partners, all women. She started as a bookkeeper and worked for a management concern. Because members of her family are jazz musicians, she was aware of the problems traveling musicians and others have in finding hotels, keeping schedules, etc., and decided to set up her own company to serve them. At first she had one van and worked out of her home. When she wanted to expand, she went to the Small Business Agency and with their encouragement drew up a detailed proposal and got funds to start. She stresses four points necessary for going into one's own business: (1) define your goals in terms of how you want to live and what you enjoy doing; (2) be prepared to "starve a little"--it takes time to get started; (3) use all the resources available to learn about your field; and (4) believe in yourself.

Time for this activity is approximately 30 minutes.

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2. Small Business Administration, Deane Carson (ed.). *The Vital Majority - Small Business in the American Economy.* Government Printing Office, 1975.

3. Sobel, Robert. *The Entrepreneurs.* New York: Weybright and Talley, 1974.

4. White House Conference on the Industrial World Ahead. *A Look at Business in 1990.* Washington, D.C.: Government Printing Office, 1972.

FILM

"New Entrepreneur" A C I Films, Inc., 35 West 45th Street, New York, New York 10036. Available for preview for a thirty-day period of time, or available to rent at Kent State University, Audio Visual Services, 221 Education Building, Kent, Ohio 44240.

DEFINITIONS OF ENTERPRISE AND ENTREPRENEUR

An Enterprise is: "a bold, hard, dangerous, or important undertaking" and in the adjective, "willingness to venture on such undertakings; readiness to take risks or try something untried."

An Entrepreneur is: "a person who organizes and maintains a business undertaking assuming the risk for the sake of profit."

QUOTES FROM ENTREPRENEURS

"I believe in the dignity of labor, whether with head or hand; that the world owes no man a living but that it owes every man an opportunity to make a living." John D. Rockefeller

"I do not believe a man can ever leave his business. He ought to think of it by day and dream of it by night." Henry Ford

"I am not on Wall Street for my health." J. P. Morgan

"The public be damned." William Henry Vanderbilt

"I never did anything worth doing by accident, nor did any of my inventions come by accident; they came by work." Thomas Alva Edison

DEFINITIONS OF ENTREPRENEUR*

McClelland

1. ". . . someone who exercises some control over the means of production and produces more than he can consume in order to sell (or exchange) it for individual (or household) income."

2. ". . . the man who organizes the firm (the business unit) and/or increases its productive capacity."

Hoselitz

"A study of economists' opinions on entrepreneurship leads to strange and sometimes contradictory results. Some writers have identified entrepreneurship with the function of uncertainty bearing; others with the coordination of productive resources, others with the introduction of innovations, and still others with the provision of capital."

Redlick

"This definition makes, "a tripartite (three part) division of the entrepreneurial function into capitalist, i.e., supplier of funds and other nonhuman resources for the enterprise, manager, i.e., supervisor and coordinator of productive activities, and entrepreneur, in the narrow sense of the term, i.e., planner, innovator, utlimate decision-maker in a productive enterprise."

Marshall

"He combines, through vigorous activity, the factors of production--labor and capital--so as to produce an increased output of goods and services, thus increasing the social wealth or material welfare of the society."

Cole

"Entrepreneurship boils down in the basic function to innovation upon a solid operating base achieved through the medium of business decisions." Cole delineates three primary functions in the entrepreneur, namely, innovation, management, and adjustment to external conditions.

---

*From: McClelland, David C. *The Achieving Society*. Princeton, New Jersey: D. Van Nostrand Company, Inc., 1961.

Aitken, Hugh G. J. (ed.). *Explorations in Enterprise*. Cambridge, Massachusetts: Harvard University Press, 1965.

THE VALUE OF FREE ENTERPRISE

The following are some suggestions for student involvement . . . add your own to the list:

1. A statement like the following quotation may be used to initiate the discussion:

> The essence of the American economic system of private enterprise is free competition. Only through full and free competition can free markets, free entry into business, and opportunities for the expression and growth of personal initiative and individual judgment be assured. The preservation and expansion of such competition is basic not only to the economic well-being but to the security of this Nation.[1]

2. Have the students read Carl Sanberg's, "Chicago" and discuss as an example of a section of our free enterprise and entrepreneurs.

3. Discuss the quote, "Civilization and profits go hand and hand" by Calvin Coolidge as related to free enterprise.

4. Have the students read the following excerpts from, "Business Drive and National Achievement" by David McClelland and discuss the impact of entrepreneurs on the economy.

> What accounts for the rise in civilization? Not external resources (i.e., markets, minerals, trade routes, or factories), but the entrepreneurial spirit which exploits those resources - a spirit found most often among businessmen.
>
> Who is ultimately responsible for the pace of economic growth in poor countries today? Not the economic planners or the politicians, but the executives whose drive (or lack of it) will determine whether the goals of the planners are fulfilled.

---

[1]The Small Business Act of 1953, P.L. 163-83, Title II, Section 202.

Why is Russia developing so rapidly that - if it continues its present rate of growth - it will catch up economically with the most advanced country in the world, the United States, in 25 or 30 years? Not, as the USSR claims, because of the superiority of its communist system, but because - by hook or by crook - it has managed to develop a stronger spirit of entrepreneurship among executives than we have today in the United States . . .

. . . One of the queerest ironies of history, as John Kenneth Galbraith points out in *The Affluent Society* is that in a sense Marx won his case with his sworn enemies, the capitalists. Marx loudly asserted that they were selfish and interested only in profits. In the end many agreed. They accepted the Marxist materialistic view of history. The modern businessman, says Galbraith, "suspects that the moral crusade of reformers, do-gooders, liberal politicians, and public servants, all their noble protestations notwithstanding, are based ultimately on self-interest." "What," he inquiries, "is their gimmick?" . . .

. . . If not only the Marxists, but Western economists, and even businessmen themselves, end up assuming that their main motive is self-interest and a quest for profit, it is small wonder that they have had a hard time holding their heads up in recent years.

But now the research I have done has come to the businessman's rescue by showing that everyone has been wrong, that it is not profit per se that makes the businessmen tick but a strong desire for achievement, for doing a good job. Profit is simply one measure among several of how well the job has been done, but it is not necessarily the goal itself . . .

. . . Of course, it follows that concrete measures of achievement other than money could be devised by other types of economic systems to satisfy the entrepreneurial spirit. Something like this has apparently happened in Communist states like Poland and Russia, where plant managers work under a fairly rigid quota system which demands that they make their quotas - or else! In the free enterprise system a businessman must make his profit - or else. The psychological effects, so far as the achievement motive is concerned, are apparently pretty much the same. In both systems the manager gets feedback in concrete terms as to how well he is doing . . .

> . . . Historians have sometimes claimed that it was the great frontier in the United States that provided the challenge and stimulus to development. Nonsense. Great frontiers have existed and still exist in many South American countries without eliciting a similar response. It was the achievement-oriented immigrants to America who regarded the frontier as a challenge to be overcome. It was not the frontier that made them achievement-oriented. Opportunities, like new frontiers, always exist, but it takes a certain kind of person to see them and believe he can exploit them . . .

5. Have students read the following summary of a Gallup Poll and comment on free enterprise. You may want them to substantiate comments made about contributions of business and identify why the students made the statements they did:

GALLUP POLL - MOST COLLEGE STUDENTS HAVE LOW OPINION OF BUSINESS, BUT LACK KNOWLEDGE OF THE SUBJECT

A strong anti-business mood is prevalent on the college campuses of America today. A recent nationwide survey of college students reveals the following:

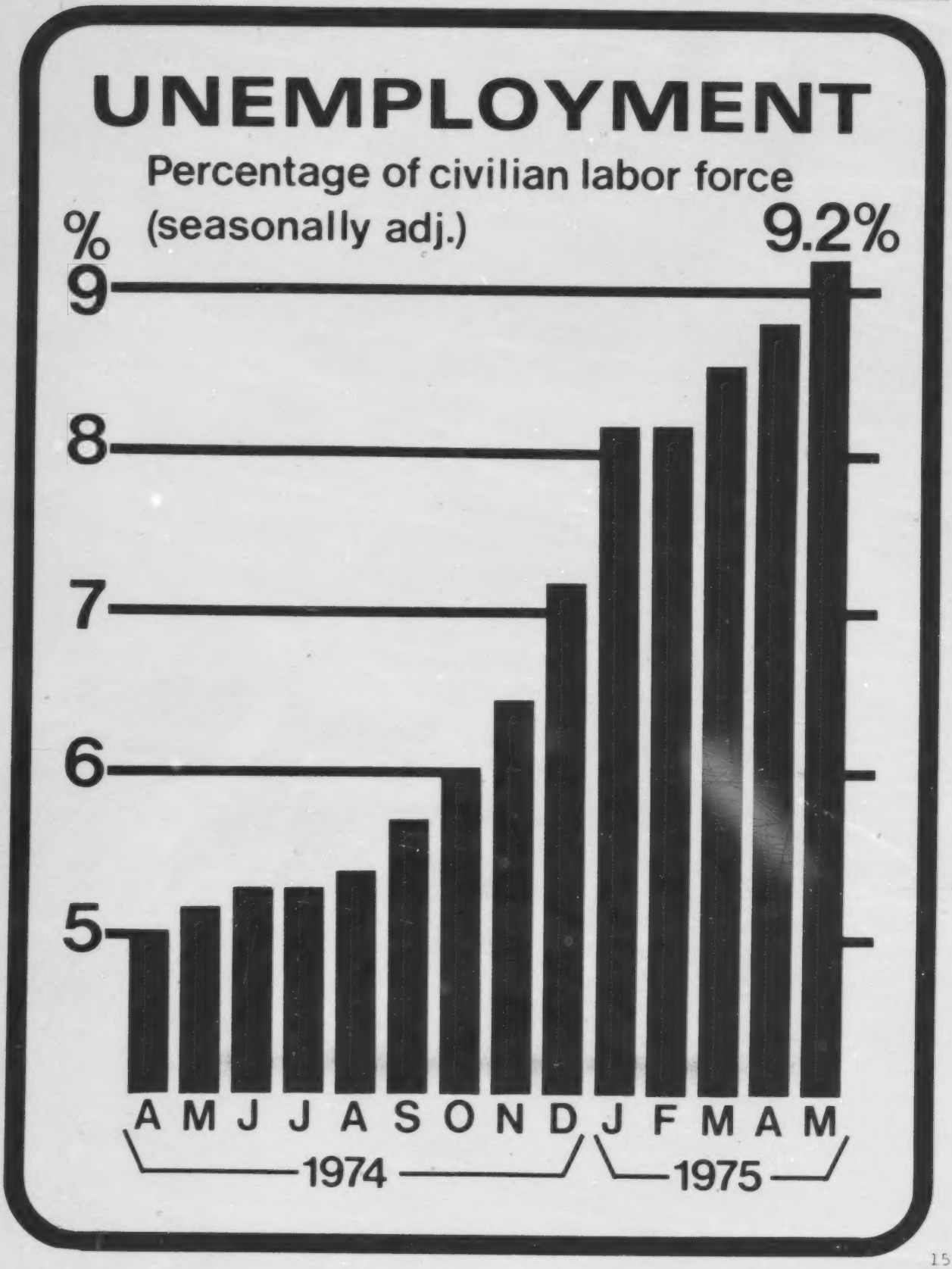
> Only 20 percent of the college students interviewed believe that the moral and ethical standards of business executives are high or very high. By way of contrast, college teachers are given a rating of 70 percent--highest of the 11 occupations tested.
>
> And by an overwhelming vote (87 percent), they agree that people in business are too much concerned with profits and not enough with public responsibility.
>
> By a vote of nearly 2 to 1 (62 percent to 35 percent), they believe that the government should place stricter controls on business. Labor unions fare little better. The same students, by a vote of 58 percent to 37 percent, say the government should place stricter controls on organized labor also.
>
> The college sample votes in favor of breaking up the big companies of the nation into smaller companies by a vote of 54 percent to 38 percent.
>
> A majority of college students think government intervention in business is necessary to protect individuals from economic abuses.

At the same time that a strong anti-business mood prevails, lack of knowledge and understanding of the free enterprise system is widespread on college campuses:

Students have a distorted notion of the profits made by a typical large national corporation. The median average of their estimates is 45 percent.

The college population has an equally distorted idea of the costs of labor represented in the purchase price of such products as refrigerators and automobiles. The median average of college responses is 33 percent, more than double the actual amount.

College students grossly underestimate the federal income tax paid by corporations. Their estimates average less than one half the actual amount.


UNEMPLOYMENT
Percentage of civilian labor force
(seasonally adj.)
%
9.2%
9
8
7
6
5
A M J J A S O N D J F M A M
1974
1975

15

SUBUNIT: SMALL ENTERPRISES

OBJECTIVE: Students increase their awareness of the characteristics of small enterprises.

Recommended class time: Two hours, preferably concurrent.

ENABLING OBJECTIVES:

1. Students develop an understanding of the characteristics of small business by participating in a class discussion and visiting a small business.

2. Students demonstrate their understanding of the characteristics of small business by developing individually a list of 15 characteristics and listing 15 firms which fit the characteristics.

ADVANCE PREPARATION:

This subunit will include a visit to a small enterprise to study its characteristics and a discussion with the owner who will speak and answer questions about his small business. Therefore, carefully select and arrange a visit to a conveniently located small business. In selecting the small business be certain to consider the owner's ability and willingness to communicate to the students.

RESOURCES:

Overhead projector
Transparency 3, "Some Definitions of Small Business."
Transparency 4, "Small Business Statistics."
Student Information Sheet 2, "Characteristics that Generally Distinguish Small Firms from Large Firms."
A Small Enterprise to visit.
Student Work Sheet 1, "Characteristics of Small Business."

INSTRUCTIONAL ACTIVITIES:

Initiate a discussion about the nature of small business. The term, "small business" is open to many interpretations. Ask the students what they consider to be a small business. After discussing several student concepts of small business consider Transparency 3, "Some Definitions of Small Business" as a class. Discuss these concepts of small business.

Be sure to bring out the distinguishing characteristic of the small firm common to all the definitions--the crucial importance of the individual entrepreneur to the firm's success or failure.

Now that the students have some conception of small business, show Transparency 4, "Small Business

Statistics" to point out the impact and importance of small business to the economy.

Allow about 25 minutes for this section.

- Give the students a copy of Student Information Sheet 1, "Characteristics that Generally Distinguish Small Firms from Large Firms." Discuss briefly each of the characteristics with the class. Some of the items are controversal, encourage the students to question these characteristics. Explain that in the next session the class will visit a small enterprise. Students will have an opportunity to observe and question the owner and finally compile their own list of characteristics of small business.

  Allow about 25 minutes for this discussion.

- Visit a small business as a class. After a 25 to 30 minute tour of the small business return to the classroom with the entrepreneur or arrange to hold a question/discussion session at the business. One opener for the discussion might be to ask the entrepreneur to react to this question, "Do you want your enterprise to remain small? Why or why not?" Encourage the students to ask the entrepreneur about his business, how he started it, why he started it, what are the advantages and disadvantages of small business. This discussion can go until a few minutes before the end of the session.

- Following the discussion give the students Student Work Sheet 1, "Characteristics of Small Business" to work on individually at home. Evaluate Part I on the basis of the list being comprehensive, and having been drawn from the class discussion, the field trip, and Student Information Sheet 2. For Part II you may want to discuss several of the student's lists with the class. If there is disagreement about a firm being considered a small business ask the student who listed it to defend his choice. Use your own judgment to evaluate Part II. Of course, the firms listed by the student must be consistent with the characteristics he noted in Part I.

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SOME DEFINITIONS OF SMALL BUSINESS*

1. Probably one of the most fundamental definitions of small business is one proposed by the Committee for Economic Development. According to the committee, a business is small if it passes two or more of the following characteristics:

   A. Independent management (usually the managers are also owners)
   B. Owner-supplied capital
   C. Mainly local area of operations
   D. Relatively small size within the industry.

2. Ross M. Robertson, Professor of Business Economics at Indiana University gives a more relative definition of small business. "A business remains 'small' as long as its guiding venturer and chief operating officer maintains direct and firm lines of communication with his operating managers and keeps personal ties with a large proportion of his work force, certainly including all key personnel."

3. The Small Business Administration defines a small business as one that is independently owned and operated, not dominant in its field and meets employment or sales standards developed by the agency.

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*Taken respectively from:

Baumback, Clifford M. et al. *How to Organize and Operate a Small Business*. Englewood Cliffs, N.J.: Prentice-Hall, Inc.

Carson, Deane (ed.). *The Vital Majority, Small Business and the American Economy*. Small Business Administration, Government Printing Office, 1973, p. 29.

Small Business Administration. *SBA Business Loans*. U.S. Small Business Administration, Office of Public Information, 1974.

22

SMALL BUSINESS STATISTICS

95% of all private business firms in the United States are small businesses

51% of the nation's business employees are employed in small businesses.

43% of the Gross National Product is furnished by small business.

34

35

Small Enterprises
Transparency - 4

"CHARACTERISTICS THAT GENERALLY DISTINGUISH SMALL FIRMS FROM LARGE FIRMS"*

Greater identification of employees with the firm.

Shortened distance between topmost and lowest levels.

Greater centralization of decision making.

Shorter cycles.

Shortened feedback time.

Greater difficulty in attracting funds for expansion.

More reluctance about risk taking.

Higher labor/investment ratio.

Greater concern with financial matters.

Greater owner influence.

More product-dedicated.

More one-person domination.

Lower employee turnover.

Longer tenure at all levels of employment.

Less sharing of decision-making.

Decisions tend to be more reactive than innovative.

Decisions are more subjective (less based on analysis).

Less organizational differentiation (one person will often perform a variety of jobs).

Commitments are narrower in scope.

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*From: Cohn, Theodore; Lindberg, Roy A. *Survival and Growth - Management Strategies for the Small Firm.* AMACOM, American Management Association, New York, 1974.

"CHARACTERISTICS OF SMALL BUSINESS"

I. Drawing from your visit to a small firm, class discussion with the entrepreneur from that firm, and Student Information Sheet 2, "Characteristics that Generally Distinguish Small Firms from Large Firms," compile your own list of characteristics of small firms. List 10 to 15 characteristics below:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____

II. List up to 15 businesses in your community which fall within your characteristics listed above. For suggestions you may want to look in the yellow pages, program advertisers, or school yearbook advertisers.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____

UNIT II: PERSON FACTORS

The focus of this unit is on the individual and his motivational makeup. The sessions begin with an exploration of what is behind human behavior and highlight those motives which are characteristically associated with entrepreneurial behavior. These include achievement, power and affiliation motives and the independence-dependence motives syndrome. The student is helped to become aware of these motivations within himself; but no attempt is made to change the individual in this course.

A few selected personal qualities/skills/characteristics deemed essential to successful entrepreneurial activity are introduced to the students. These include risk taking and creativity.

Goal planning is also introduced in this unit. As the student reflects on his own desires and motivations, he learns about planning career goals and developing achievement oriented goals that form the basis for the development of the business plan for entrepreneurs introduced in the next unit.

SUBUNIT: MOTIVES AND BEHAVIOR

OBJECTIVE: Students recognize motives as determinants of human behavior.

Recommended class time: One hour

ENABLING OBJECTIVES:

1. Students identify types of behavior by discussing, with the entire class, their own classroom behavior.

2. Students identify needs by putting examples of human needs into Maslow's classification of needs in a class discussion.

3. Students recognize that needs motivate people toward goal directed behavior that satisfies their needs by identifying the needs which are satisifed in selecting a car.

4. Students reflect on their own motives or needs by listing individually the needs filled by a vacation on Student Work Sheet 2, "Motives for Vacations."

RESOURCES:

Overhead projector
Transparency 5, "Motivation and Behavior"
Student Work Sheet 2, "Motives for Vacations"

INSTRUCTIONAL ACTIVITIES:

- Initiate a class discussion by asking students for definitions of behavior. Indicate that people can behave in three ways: They (1) think or dream (mental behavior), (2) talk (verbal behavior) and (3) do or act (motor behavior).

  When the students have responded to your question, ask the one who responded first to trace the behavior process in his response. How did he respond to the question? Bring out the fact that he behaved in all three ways. He thought the answer; he raised his hand, or brightened his face, or sat up in his chair; and he spoke the answer (mental, motor, and verbal).

  Now ask the same student to explicate why he behaved the way he did. Why did he think, talk, and act in this particular situation? A discussion as to why he answered while some others didn't can

help him to probe his reasons. If the student has difficulty, explore gently if he wanted to impress or seek recognition from the class or you, to catch someone's attention. What was needed? Did he want to be first to reply? What was driving him? What motivated him?

Suggested time for this activity is 15 minutes.

° At this point consider a common dictionary definition of the word MOTIVE:

> Some inner drive, impulse, intention, etc. that causes a person to do something or act in a certain way; incentive; goal.

A great number of synonyms are used for the term motive. The following classification of synonyms may help you explain "Motive" to your students.

- Those having biological import: emotion, force, drive, instinct, need.

- Those having mental import: urge, wish, feeling, impulse, want, striving, desire, demand.

- Those having reference to objects or states in the environment: purpose, interest, intention, attitude, aspiration, plan, motive, incentive, goal, value.

Use the words need, motive, want, drive to suggest that these are some things that make people behave. Indicate that attention and recognition are but examples of human needs, motives, or wants. They drive people toward goal directed behavior which results in the satisfaction of their needs.

Needs can be classified to clarify an understanding of motives and behavior. Abraham Maslow developed a hierarchy of needs: that people fulfill their needs in a hierarchy from the so called "basic" needs upwards. While Maslow's theory may not be altogether correct, his classification is helpful in understanding and placing the different needs.

Introduce Maslow's classification of needs by putting all the following categories on the blackboard. Self-actualization needs, esteem or ego needs, social or love needs, safety or security needs, physiological or biological needs. Mention one example of the needs in each category then ask the students to offer others. For example: recognition is considered an Esteem or Ego needs; the students may suggest attention, status, prestige, etc. as other Esteem or Ego needs.

Maslow's Classification of Needs

Self-actualization needs:	Philosophical, religious, and ethical strivings
Esteem or Ego needs:	Recognition, attention, status, prestige, independence, dependence, power
Social or Love needs:	Affiliation, affection, aggression, dominance, service
Safety or Security needs:	Fear, defense, protection
Physiological or Biological needs:	Hunger, thirst, sex, air

Suggested time for this activity - 20 minutes.

Present and discuss Transparency 5, "Motives and Behavior" to pull together motives and behavior.

MOTIVES are NEEDS that cause DRIVES which generate BEHAVIOR:

HUMAN BEINGS (and animals) satisfy their NEEDS by forms of BEHAVIOR.

To clarify this concept show the students pictures of three cars. Select cars of different types from magazine ads, brochures, etc. Ask the students which type of car they would like to own or who in the class already owns one of the types of cars. Now ask why they selected the different cars. Begin to bring out the needs or motives. Which needs are present? For example, a person who prefers a sports car may have a need for status which is an esteem or ego need in Maslow's classification. Establish the fact that these needs cause drives which generate behavior, selecting a particular car.

Now ask the students to look at another type of behavior. Have the students pick a two week vacation they would like to plan for this year. Using Student Work Sheet 2, "Motives for Vacations" have the students list five to ten motives or needs the planned vacation would fill and fit them into Maslow's classification on the work sheet.

Suggested time for this section - 15 minutes.

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MOTIVATION AND BEHAVIOR

MOTIVES are NEEDS that cause DRIVES which generate BEHAVIOR.

HUMAN BEINGS (and animals) satisfy their NEEDS by forms of BEHAVIOR.

MOTIVES FOR VACATIONS

Directions: Select a two week vacation you would like to plan for this year and describe it as your Behavior. Now list five to ten motives or needs this vacation will fill. To the right of the need or motive, write the category of Maslow's classification which best describes it: Self-Actualization, Esteem or Ego, Social or Love, Safety or Security, Physiological or Biological.

Behavior: _____

_____

		Maslow's Classification
Motives or Needs	1. _____	_____
	2. _____	_____
	3. _____	_____
	4. _____	_____
	5. _____	_____
	6. _____	_____
	7. _____	_____
	8. _____	_____

			Maslow's Classification
Motives or Needs	9.	_____	_____
		_____	
	10.	_____	_____
		_____	

SUBUNIT: CHARACTERISTICS OF ENTREPRENEURS

OBJECTIVE: Students recognize some important characteristics of entrepreneurs and relate them to motives.

Recommended class time: Two concurrent hours.

ENABLING OBJECTIVES:

1. Students identify 15-20 personal characteristics they see as similar to the characteristics of entrepreneurs they know by discussing in a group and listing 15-20 characteristics.

2. Student reevaluate their perceptions of "the" entrepreneurs by discussing those perceptions in a group with visiting entrepreneurs and comparing their list of characteristics with a list of characteristics prepared by the entrepreneurs.

3. Students, together with the visiting entrepreneurs, rank ten characteristics of entrepreneurs in order of importance as determined in a group discussion.

4. Students rate themselves on the top ten characteristics of entrepreneurs as determined by the group by completing a self-analysis sheet.

RESOURCES:

Four or five active entrepreneurs from the community
Student Work Sheet 3, "Self-Analysis-Entrepreneurial Characteristics"
Flip Charts and/or overhead projector and acetate
Two separate meeting rooms

ADVANCE PREPARATION:

The major preparation for this subunit is the recruitment of entrepreneurs. It is important to recruit at least four entrepreneurs in order to generate a good sampling of characteristics. If only one or two persons are used, the exercise will not prove successful.

Some suggestions for recruitment can be made. In choosing the entrepreneurs try to find an assortment of sizes of business, personal traits such as sex, age, race, and technologies that will appeal to the students. The entrepreneurs generally will need to be selected three to four weeks in advance of the session. It is necessary to send them a letter telling about the course and explaining the role they will play.

It may be a good idea to give the entrepreneurs a gift--a bumper sticker, school paper weight, or a certificate of contribution and the next day, follow up with a thank you note.

INSTRUCTIONAL ACTIVITIES:

- Introduce the entrepreneurs to the class and explain the following activity to the whole group.

The entrepreneurs will meet as a group, reflect, discuss, and write down their own characteristics. These may include such items as their likes and dislikes, habits, standards, desires and needs, goals, the things they do and don't do, etc. Let them pick about 15 characteristics that are common to all of them and post them on large sheets of paper or on transparencies.

At the same time in a separate room, the students will develop and list 15-20 characteristics that they think are typical of entrepreneurs. Have them put the list down on large sheets of paper or transparencies. Then have them meet in two groups in separate rooms to complete their lists. They should meet for 30 minutes.

- At the end of 30 minutes, have the two groups meet together and post or project their lists on the wall. Initiate a discussion with the whole group about their choice of characteristics. The students should be encouraged to ask why these entrepreneurs feel these characteristics belong to them by asking about their needs and motives. A point of reference for the student is Maslow's categorization of needs and the entrepreneurs' feelings, attitudes, and values.

The entrepreneurs should be encouraged to ask the students why they chose the characteristics they did--especially if they differ from the student's lists of characteristics.

After they have compared and contrasted the lists for 45 minutes or so begin the final step in the discussion. Have the group select ten characteristics they feel are most important and list them separately on a flip chart in order of their importance as determined by the group. This will probably take 10 or 15 minutes to complete. When the discussion is complete the entrepreneurs may leave if they wish.

- Have the students list the top ten characteristics from the flip chart on Student Work Sheet 3, "Self-Analysis-Entrepreneurial Characteristics." Then ask the students to assess and rate themselves against each characteristic. In order to assess themselves the students should reflect on the motives, feelings and values expressed by the entrepreneurs during the discussion and then reflect on their own. Then, the students will be able to score themselves between 1 and 4.

  However, be certain to caution your students that this scoring is not a final statement in determining his potential as entrepreneur because these characteristics are developed and changed through interest, awareness, training and/or self-education.

  Allow about 20 minutes for the students to complete the work sheet.

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SELF-ANALYSIS - ENTREPRENEURIAL CHARACTERISTICS

I. List those characteristics developed in the discussion session, which were common to both lists in order of importance.

II. Rate yourself on each of these characteristics according to the following scale:

4 = entrepreneurial
3 = above average
2 = average
1 = below average

		Circle the number
1.	_____	4 3 2 1
2.	_____	4 3 2 1
3.	_____	4 3 2 1
4.	_____	4 3 2 1
5.	_____	4 3 2 1
6.	_____	4 3 2 1
7.	_____	4 3 2 1
8.	_____	4 3 2 1
9.	_____	4 3 2 1
10.	_____	4 3 2 1

III. Compute your overall score by dividing your total score by 10 (the number of characteristics given). Please note that this rating is not final in establishing potential for entrepreneurship. These characteristics can be changed through training and/or self-education. Keep this work sheet as a personal reference.

SUBUNIT: ENTREPRENEURIAL BEHAVIOR

OBJECTIVE: Students recognize the dominant motives associated with entrepreneurial behavior.

Recommended class time: One hour.

ENABLING OBJECTIVES:

1. Students identify motivation and maintenance needs in a job setting by reading the transparency on Myers' "Employee Needs" and participating in a class discussion.

2. Students demonstrate an understanding that achievement, responsibility, growth, and earned recognition are among "the" entrepreneur's needs by participating in a lecture-discussion.

3. Students distinguish between maintenance needs filled by routine work situations and motivational needs filled by entrepreneurial tasks by reading a case and discussing with the class how the needs of the individual in the case fit into Myers' classification.

RESOURCES:

Overhead project
Transparency 6, "Employee Needs - Maintenance and Motivational"
"Jack B. Nimble's Letter of Resignation" from Up Your Own Organization by Donald M. Dible. Copies for classroom use must be ordered from The Entrepreneurial Press, Mission Station, Drawer 2759, Santa Clara, California 95051.

NOTE TO THE INSTRUCTOR:

From the session on Characteristics of Entrepreneurs it should become apparent that entrepreneurs are somewhat different types of persons. In fact, psychologists have found that certain motives are characteristically associated with their behavior. This is what sets them apart from the others. Throughout this and the next two sessions which deal with motives associated with entrepreneurs, emphasize that the motivational make-up of entrepreneurs is quite characteristic of them.

In order to illustrate this difference between entrepreneurs and others, Myers' classification of needs may be used. M. S. Myers studied employees of Texas Instruments over a period of six years and found that people at work had two different sets of needs. He called them Motivational Needs and Maintenance Needs. He identified Achievement, Growth, Responsibility and Earned Recognition as being the Motivational group of needs, while Security, Physical, Social, Esteem and Economic needs as being Maintenance Needs.

INSTRUCTIONAL ACTIVITIES:

- Project Transparency 6, "Employee Needs--Maintenance and Motivational: on a screen and have the students discuss these two sets of needs.

  Myers found that Motivation Needs were central to the task (job) and focused on the individual whereas Maintenance Needs were peripheral to the task and usually group administered. He also found that for most individuals, the greatest satisfaction and strongest motivation were derived from achievement, responsibility, advancement and earned recognition. Maintenance needs, on the other hand, had little motivational value but their fulfillment was essential to the avoidance of dissatisfaction. High motivation for productivity did not result from their improvement but dissatisfaction did result from their absence or deterioration.

  It seems that these two sets of needs--Motivation and Maintenance--might characterize entrepreneurial behavior and nonentrepreneurial behavior. Point out that an entrepreneur's entrepreneurial behavior tends to satisfy his motivational needs whereas the behavior of a nonentrepreneur appears to satisfy but only the maintenance needs. In other words, achievement, responsibility, growth, and earned recognition are among the needs that are characteristic of the entrepreneurial task whereas status, economic, physical, social, and security needs appear to be characteristics of routine tasks. Entrepreneurial behavior then, is motivated more by achievement, responsibility, growth, and recognition rather than the other needs mentioned above.

- To clarify this point, have the students read Jack B. Nimble's letter of resignation to his boss. Now have the students analyze Jack's needs on the

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*As an alternative, you may opt to show the Bread and Butterflies film, "Success Story." The film brings out similar needs in Dave, who now owns a leather shop where he makes and sells his own work. The film looks back on his childhood on a farm, on a time when he held a dull job that paid fairly well, and on his days as a parachutist in the army. Success for Dave is a personal thing, something he has figured out for himself.

transparency. What needs are being filled by the Gargantuan Growth Group, Incorporated? Where do these needs fit on the transparency? What needs were not being met? Where do they fit on the transparency? You might ask the students to circle maintenance and motivational needs expressed by the characters in the situations described in the case and then find where they fit on the transparency. For example, if the $100 bonus was circled it could be classified as an economic need (maintenance). Again, point out that the motives or needs of the entrepreneur fall in the growth, achievement, responsibility and recognition areas. These are needs in the self-acutalization and esteem or ego categories. Explain that achievement is the most salient need of the entrepreneur. Achievement motivation and other salient entrepreneur related motives will be covered in the next two subunits.

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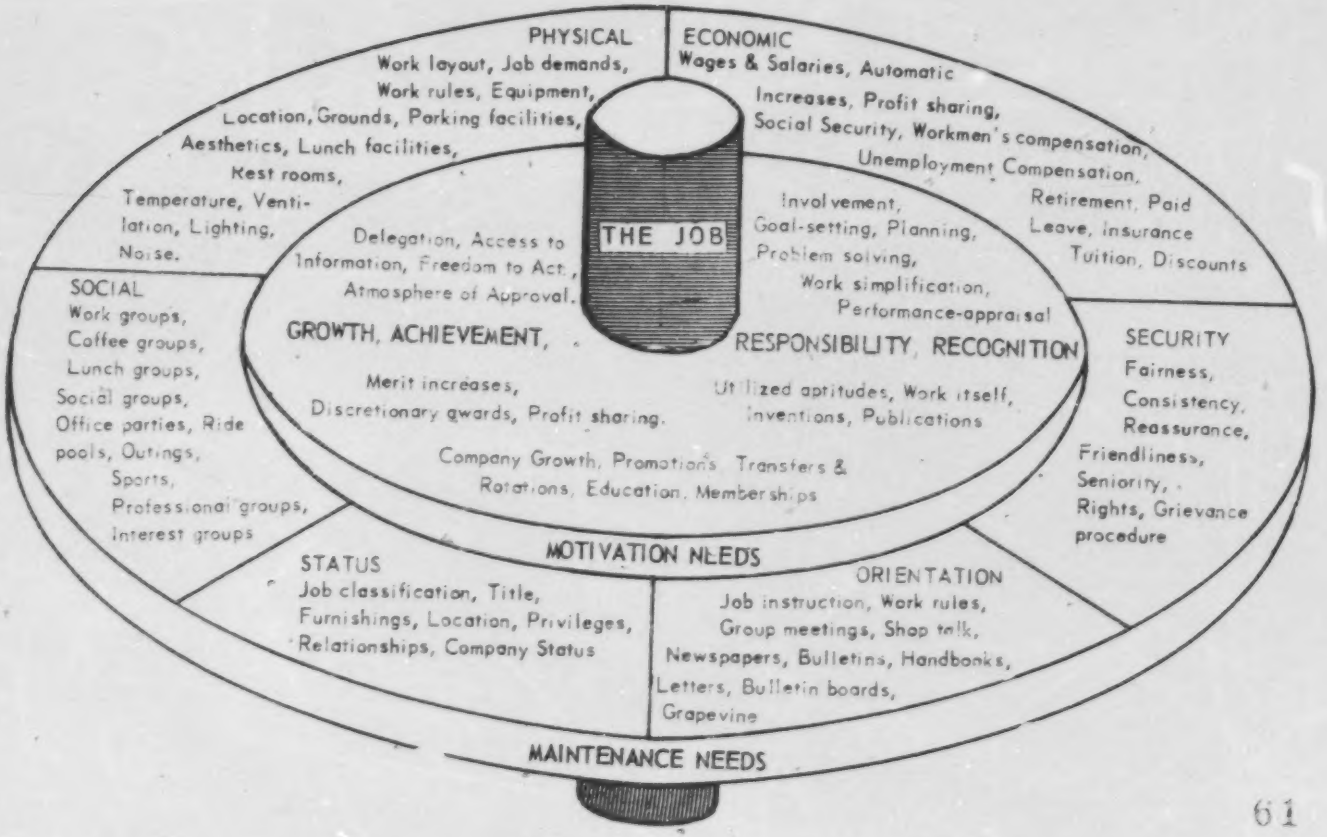
FILM

Agency for Instructional Television. *Success Story, Bread and Butterflies Consortium.* Agency for Instructional Television, Box A, Bloomington, Indiana 47401.

EMPLOYEE NEEDS--MAINTENANCE AND MOTIVATIONAL*


PHYSICAL
Work layout, Job demands, Work rules, Equipment, Location, Grounds, Parking facilities, Aesthetics, Lunch facilities, Rest rooms, Temperature, Ventilation, Lighting, Noise.
ECONOMIC
Wages & Salaries, Automatic Increases, Profit sharing, Social Security, Workmen's compensation, Unemployment Compensation, Retirement, Paid Leave, Insurance Tuition, Discounts
SOCIAL
Work groups, Coffee groups, Lunch groups, Social groups, Office parties, Ride pools, Outings, Sports, Professional groups, Interest groups
SECURITY
Fairness, Consistency, Reassurance, Friendliness, Seniority, Rights, Grievance procedure
STATUS
Job classification, Title, Furnishings, Location, Privileges, Relationships, Company Status
ORIENTATION
Job instruction, Work rules, Group meetings, Shop talk, Newspapers, Bulletins, Handbooks, Letters, Bulletin boards, Grapevine
THE JOB
Delegation, Access to Information, Freedom to Act, Atmosphere of Approval.
Involvement, Goal-setting, Planning, Problem solving, Work simplification, Performance-appraisal
GROWTH, ACHIEVEMENT,
RESPONSIBILITY, RECOGNITION
Merit increases, Discretionary awards, Profit sharing.
Utilized aptitudes, Work itself, Inventions, Publications
Company Growth, Promotions, Transfers & Rotations, Education, Memberships
MOTIVATION NEEDS
MAINTENANCE NEEDS

* Source: "Who Are Your Motivated Workers?" M.S. Myers, H.B.R. 1964.

SUBUNIT: ACHIEVEMENT MOTIVATION

OBJECTIVES: Students identify the need to achieve as being among the most salient motivations of entrepreneurs; and in a limited way, assess and improve their own need to achieve.

Recommended class time: three hours

ENABLING OBJECTIVES:

1. Students assess their achievement imagery by comparing their scores on two sets of stories they have written about one set of pictures; one set at the beginning, and one set at the end of the subunit.

2. Students define achievement motivation and identify four standards of excellence as its criteria by participating in a class discussion.

3. Students relate achievement motivation to entrepreneurial behavior by comparing the list of characteristics of entrepreneurs to the list of characteristics of persons with a high need for achievement.

4. Students distinguish between achievement and nonachievement imagery by completing a student work sheet and discussing their results in class.

5. Students identify achievement imagery by scoring 12 achievement and nonachievement stories in small groups.

6. Students practice identifying achievement imagery by scoring 12 achievement motivation stories individually.

RESOURCES:

Student Work Sheet 4, "Instructions for Writing Stories from TAT Pictures."
TAT Transparencies 7, 8, 9, 10
Student Information Sheet 4, "Characteristics of Persons with a High Need for Achievement"
Student Work Sheet 5, "Practice Scoring of Achievement Imagery"
Student Information Sheet 5, "Scoring the Three Motives: Achievement; Power; and Affiliation"
Teacher Information Sheet 3, "Scoring Check Sheet"
Student Work Sheet 6, "12 Achievement/Nonachievement Stories"
Student Work Sheet 7, "12 Practice Achievement Stories"

INSTRUCTIONAL ACTIVITIES:

- Tell the class that in this session they will see some pictures and write some stories from them. Follow directions for this activitiy as described in Student Work Sheet 4, "Instructions for Writing Stories from TAT Pictures."

  This activity will take approximately 25 minutes.

- After you collect the stories tell the students that the next four sessions will cover the four motives that psychologists consider to be important determinants of entrepreneurial behavior: Achievement, Power, Affiliation, and Independence.

  Many consider achievement motivation or, the need to achieve, to be the most salient determinant of entrepreneurial behavior. Have the class discuss McClelland's definition of achievement motivation: "A desire to do well not so much for the sake of social recognition or prestige, but for an inner feeling of personal accomplishment." Put this definition on the blackboard. Underline the words "do well."

  Indicate that a person with a high need for achievement likes to "do well" or in other words to "do excellently." Psychologists who have studied achievement motivation found that the imagery (thoughts) of persons with a high need for achievement is characterized by one or more of the following standards of excellence:

  1. Competition with self-imposed standards,
  2. Competition with others,
  3. Unique accomplishment, and
  4. Long-term involvement.

  Stress that a person with high achievement motivation is not motivated so much be recognition from others as by a deep sense of achievement within himself. On this basis, ask the students to "place" achievement motivation in Maslow's classification of needs. From a rediscussion of the definition, you may wish to help the students to see that achievement motivation tends toward being a self-actualizing need, that it is beyond the esteem needs level. Have the students examine the implications of this aspect of achievement motivation to entrepreneurial behavior.

  This activity takes about 15 minutes.

- Next, distribute Student Information Sheet 4, "Characteristics of Persons With a High Need For Achievement." Have the students read this over during the remainder of the session in preparation for a discussion of these characteristic behaviors of persons with high achievement motivation in the next session.

- Begin the next session by having the students quickly review Student Information Sheet 4, have them relate these characteristics to the list of characteristics developed by the entrepreneurs and students in the session on "Characteristics of Entrepreneurs." It is most likely that they will find several charactristics common to both the lists substantiating that entrepreneurs are high in achievement motivation.

  This discussion requires about 20 minutes.

- The next activity is for the students to score stories written by different people for achievement imagery. Before teaching the students to score stories, explain briefly the rationale[1] behind stories written from the pictures.

- Discuss the purpose of the scoring activity. Although scoring will not be in great detail; a general scoring will be used. It has been found that you can find out more about your motives by scoring your stories. By scoring stories in a general way students can increase their awareness of these motives.

  This discussion requires five minutes or so.

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[1]People tend to do what they think (this is the same thing as what was said in the earlier sessions that behavior is determined by motives). Pictures are used as cues to elicit the thought processes predominant in a person under normal conditions--when he is not under any pressure to think about anything in particular. This way the thoughts with which he is concerned are brought out. Thus, if a story contains imagery in which a man spends his time thinking about doing things better, the psychologist says he has concern for achievement; if he spends time thinking about family and friends, he has concern for affiliation; and if he is thinking about influencing or controlling someone, he has concern for power.

- In this activity, students will score stories for achievement motivation. Hand out Student Work Sheet 5, "Practice Scoring Achievement Imagery." With the group, review the four standards of excellence then have the students circle phrases in the first story that match the standards for achievement imagery. Briefly discuss the imagery on the basis of the scoring system described in the scoring sheet, Student Information Sheet 5, "Scoring the Three Motives: Achievement; Power; and Affiliation."

  Then have the students circle the phrases and score the next two stories individually for achievement imagery. Make sure students understand the difference between achievement and nonachievement imagery. The first and the third stories are achievement imagery stories while the second one is not.

  This work sheet activity will require approximately 10 minutes.

- Now that the students have some experience in scoring stories--have them meet in groups of threes and score 12 stories on Student Work Sheet 6, "12 Achievement/Nonachievement Stories." After they score their stories in small groups, meet as an entire group and check the scoring done by the groups. Use the scoring check sheet provided, Teacher Information Sheet 3, "Scoring Check Sheet."

  This activity requires about 20 minutes.

- Have each student score the 12 stories on Student Work Sheet 7, "12 Practice Achievement Stories."

  This will require about 10 minutes.

  After the scoring is completed, tell the students that all these 12 stories are achievement imagery stories.

- Now, hand back the stories each student wrote at the beginning of the subunit. Have them score their own stories individually for achievement imagery.

  They need approximately 7-10 minutes for this activity.

- In the final activity--repeat the story writing activity by projecting the four transparencies again on a screen and having the students write stories from them, using the same procedure as earlier.

  Again, this activity requires 20 minutes.

  Have the students score these stories for achievement imagery.

  They need about 7-10 minutes to complete this.

  Then, for the next five minutes, have the students compare their "before" stories with their "after" stories, to see if their achievement imagery has changed--increased, decreased, or stayed the same.

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INSTRUCTIONS FOR WRITING STORIES FROM TAT PICTURES*

An important personal asset is imagination. This activity gives you an opportunity to use your imagination, to show how you can create ideas and situations by yourself. In other words, instead of presenting you with answers already made up, from which you have to pick one, it gives you the chance to show how you can think things up on your own.

You are to make up and write out a brief, imaginative story for each of the four pictures. You will have about five minutes for each story. Please do not write more than about 150 words per story.

To help you cover all the elements of a story plot in the time allowed, here are some questions for each story:

1. What is happening? Who are the people?
2. What has led up to this situation? That is, what has happened in the past?
3. What is being thought? What is wanted? By whom?
4. What will happen? What will be done?

Please remember that the questions are only guides for your thinking; you need not answer each specifically. That is, your story should be continuous and not just a set of answers to these questions.

There are no "right" or "wrong" stories. In fact, any kind of story is quite all right. You have a chance to show how quickly you can imagine and write a story on your own.

Try to make your stories interesting and dramatic. Show that you have an understanding of people and can make up stories about human situations. Don't just describe the pictures, but write stories about them.

When you are ready, the instructor will project a picture. Look at the picture briefly, then write the story suggested to you by the picture. At the end of five minutes the instructor will project the next picture. Use a separate piece of paper and write out the story it suggests. This process will be repeated until stories have been written for all four (4) pictures. At the end of 20 minutes the instructor will collect the stories for use later in this subunit so make sure your names are on the stories. Also number your stories as you go.

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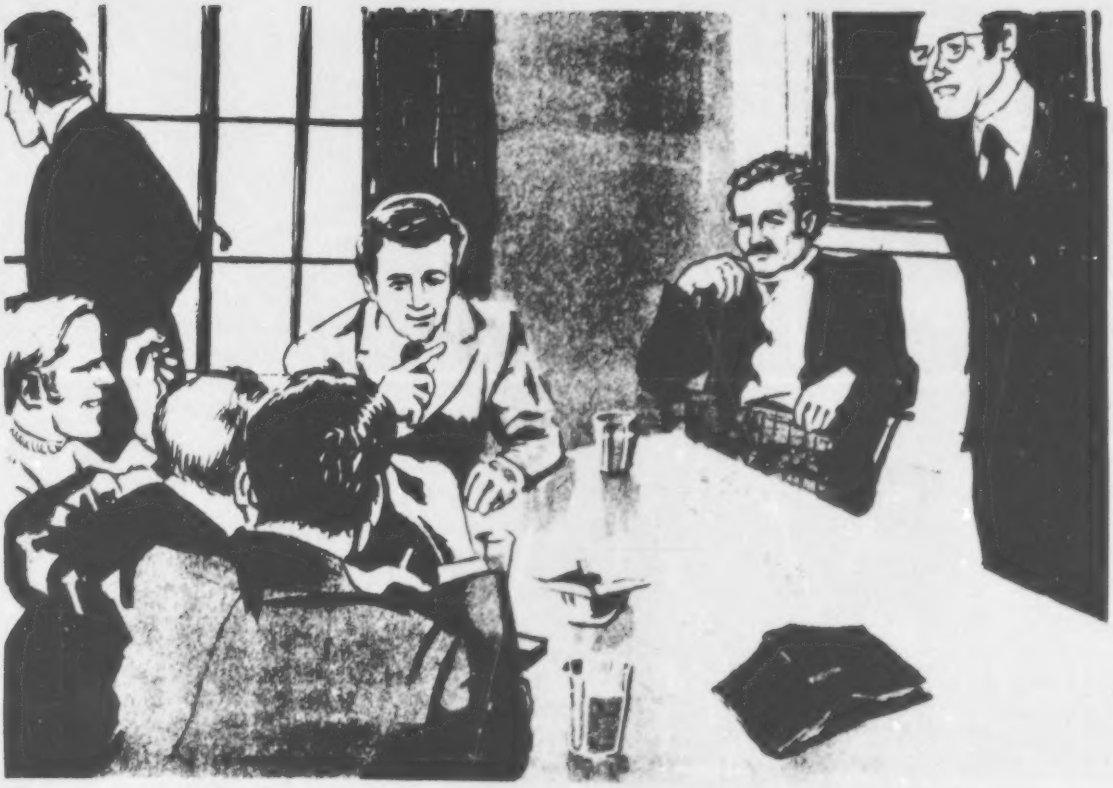
THEMATIC APPERCEPTION TEST PICTURE

THEMATIC APPERCEPTION TEST PICTURE

THEMATIC APPERCEPTION TEST PICTURE



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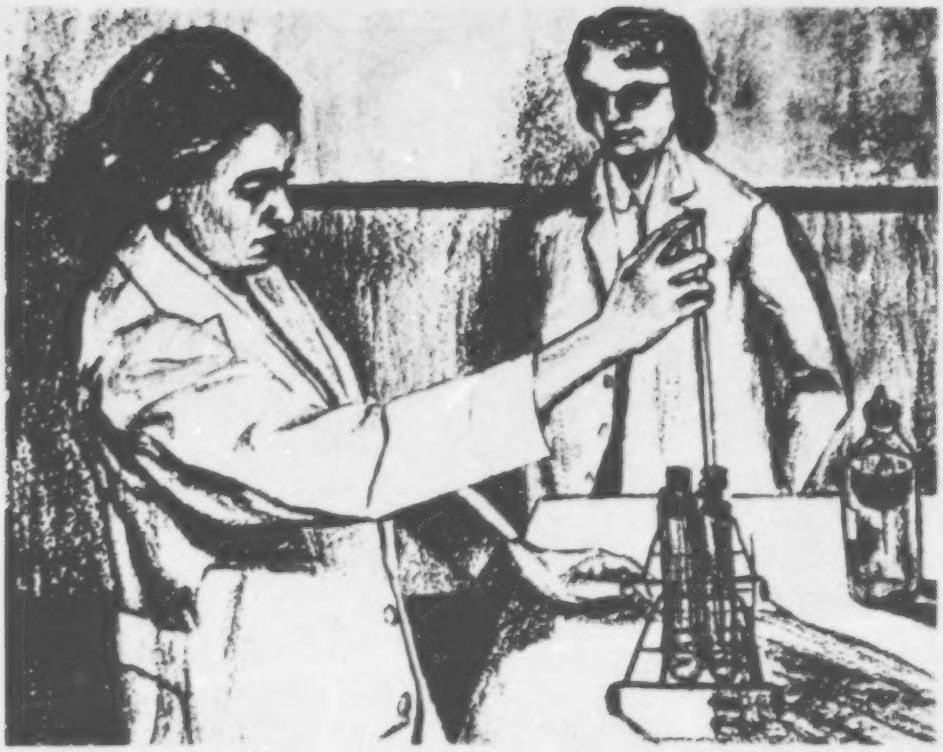

CHARACTERISTICS OF PERSONS WITH HIGH NEED FOR ACHIEVEMENT*

A person with high need for achievement. . . .

1. . . . likes to take personal responsibility.

When he undertakes a task, he prefers to have it clearly understood that he will see it through. He wants the credit for the success of the undertaking, but he is equally prepared to accept the blame should he fail.

The high need for Achievement individual, then, is not a "buck passer." When he is unsuccessful, he does not rail against the unkind fates, nor lay the fault to his superiors, competitors, subordinates, or the government.

He likes games of skill; games of chance do not appeal to him because he feels no control over their outcome.

The tasks which this kind of person undertakes, he tackles with self-confidence and with animation.

2. . . . likes to take moderate risks.

He does not like either excessive odds against his success nor too easy a task. The reasonable possibility of failure excites him to increased effort. He wants to stretch, to exert extra effort, to achieve his goal. The person with low need for achievement prefers an easy task, where his likelihood of succeeding is quite high, or, at the other extreme, he attempts goals which are clearly unlikely of attainment. In either case his insecurity leads him to avoid the reasonable chance of failure. If he cannot be sure of succeeding he wants it clear to all the world that the task was so difficult that no one could really have been expected to succeed.

A high need for Achievement person enjoys a calculated risk where he feels that he is pitting himself against a worthy adversary, be this a human competitor or the conditions of the game.

3. . . . wants to know the results of his efforts.

He wants some measure of how he is doing. He prefers that this be objective, and that it be available soon after he has taken action. Not only is this "feedback" stimulating and satisfying to him; he uses it to adjust and improve his efforts. We find the high need for Achievement person seeking tasks, and occupations where this type of feedback is available, such as in sales or production rather than in industrial relations or research.

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4. . . . tends to persist in the face of adversity.

He is not easily discouraged by failure. His underlying self-confidence leads him to carry on despite setbacks. He looks at failures as temporary and as a natural part of the game. He uses knowledge of his failures also as a learning experience. The achievement motivated individual is not content to leave the task unfinished. He feels tension so long as there is something yet undone--some step he still might take to achieve the goal. So he tends to carry on or go back to the unfinished task and put forth extra effort to carry through to a definite conclusion.

This is not to say, however, that he will continually butt his head against the wall; when it becomes clear that the odds are too great against him, he readily shifts tactics or even objectives. It is noticeable, however, that he is not quick to abandon a task simply because he has encountered difficulties.

5. . . . tends to be innovative.

Once he has determined his goals, he is prepared to try first one approach and then another. We may say that he is more goal oriented than technique oriented. By this we mean that he is willing to try alternative methods for achieving his objectives. For him, the method of choice is the method which will work best, not necessarily the usual method. If the common sense approach does not work, he will invent new ones.

He is not a creative person in the sense that a painter or writer is creative. He is, however, ingenious at adapting and modifying whatever is at hand to solve the problem or achieve the objective.

6. . . . usually demonstrates some interpersonal competence.

He recognizes the importance of interpersonal relationships in achieving most objectives; therefore, he devotes reasonable effort to developing and maintaining adequate relations with others. Because he is task oriented, he selects experts as work colleagues, rather than friends. People with greater need for affiliation or for power prefer work partners who are friends or who have status.

7. . . . is oriented towards the future.

While he may not necessarily have a clear idea of his long-term goal, he addresses himself with maximum effort to his task of the moment, with an underlying feeling that in some way his successful accomplishment of this task will prepare him for more important activities in the future. Perhaps we can say that he has some sense of destiny; that is, the belief that he himself is destined for bigger things. Accordingly, each current

task, no matter how minor, is perceived as important in itself because of its relationship to his own growth process and preparation for the future. It can be seen that this sense of destiny would give rise to feelings of self-confidence and the willingness to make decisions and take responsibility.

8. . . . lives "in process."

He does not require a complete structuring of a situation in order to function. He is better able to tolerate ambiguity. He always has some project under way with so much that he wants to accomplish that he is concerned about lack of time to get it all done. This is exemplified by his tendency to describe time as "a galloping horse," "a bird in flight," or "a fleeing thief." The typical description of time by a low need for Achievement person is "a quiet motionless ocean."

9. . . . tends to be mobile.

He is active, restless. He is not content to sit quietly. He likes to take the initiative. A pioneer, an adventurer, he is willing to leave his home and venture into the unknown. He tends to travel considerably, visit new places. The low need for Achievement person tends to remain within his long established boundaries.

The mobility and flexibility of the high need for Achievement person is shown in terms of ideas as well as physical action. Someone has stated that the epitaph of the high need for Achievement person could be:

"Here I lie in my final condition
Let it be said I tested tradition."

10. . . . is not completely content.

He is not satisfied with the status quo nor is he satisfied with what he has achieved. His standards are high and as soon as he has attained one goal, he sets his sights on a new, perhaps more difficult, target. He always has a bit of tension. When the environment does not provide him with work to do he is restless until he can establish new tasks and set about accomplishing them.

We can characterize the person with high need for achievement as a restless, energetic, striving person who seeks and enjoys challenge. For him, life is a "reasonable adventure."

PRACTICE SCORING OF ACHIEVEMENT IMAGERY

McClelland's definition of achievement motivation: "A desire to do well not so much for the sake of social recognition or prestige, but for an inner feeling of personal accomplishment."

Psychologists have found that the imagery (thought) of high need for achievement persons is characterized by one or more of the following standards of excellence.

1. Competition with self-imposed standards,
2. Competition with others,
3. Unique accomplishment, and
4. Long-term involvement.

Directions: Score these stories for achievement motivation by circling the phrases that describe any of the four standards of excellence listed above. Then give the story one point if it is achievement imagery or 0 if there is no achievement imagery. Place the score in the appropriate space.

1. "A successful industrial designer is at his 'work bench' toying with a new idea. He is 'talking it out' with his family in the picture. Someone in the family dropped a comment about a shortcoming in a household gadget, and the designer has just 'seen' a commercial use of the idea. He has picked up ideas from his family before--he is 'telling' his family what a good idea it is, and 'confidentially' he is going to take them on a big vacation because 'their' idea was so good. The idea will be successful, and family pride and mutual admiration will be strengthened."

   Score: _____

2. "The engineer is at work on Saturday when it is quiet and he has taken time to do a little daydreaming. He is the father of the two

children in the picture--the husband of the woman shown. He has a happy home life and is dreaming about some pleasant outing they have had. He is also looking forward to a repeat of the incident which is now giving him pleasure to think about. He plans on the following day, Sunday, to use the afternoon to take his family for a short trip."

Score: _____

3. "The man is an engineer at a drafting board. The picture is of his family. He has a problem and is concentrating on it. It is merely an everyday occurrence--a problem which required thought. How can he get that bridge to take the stress of possible high winds? He wants to arrive at a good solution of the problem by himself. He will discuss the problem with a few other engineers and make a decision which will be a correct one--he has the earmarks of competence."

Score: _____

SCORING THE THREE MOTIVES: ACHIEVEMENT; POWER; AND AFFILIATION*

Achievement motivation is present in a story when any one of the following three things occure:

1. Someone in the story is concerned about a *standard of excellence:* he wants to win or do well in a competition; he has self-imposed standards for a good performance; or he is emotionally involved in attaining an achievement goal. Standards of excellence can be inferred by the use of words such as *good* or *better* or similar words when used to evaluate performance.

2. Someone in the story is involved in a unique accomplishment, such as an invention or an artistic creation. Here the standard of excellence can be inferred, and need not be explicitly stated.

3. Someone in the story is involved in a *long-term goal*, such as having a specific career, or being a success in life.

Power motivation is present in a story when any one of the following three things occure:

1. Some[illegible] in the story is affected or *emotionally concerned about getting [illegible] maintaining control of the means of influencing a person.* Want[illegible] to win a point, to show dominance, to convince someone or to gain [illegible]position of control, as well as wanting to avoid weakness or humiliation are obvious examples. However, weaker statements such as wanting to teach or inspire another person should also be scored. If the teaching or advice is solicited, then imagery should not be scored unless there is additional evidence of power concern.

2. *Someone is actually doing something to get or keep control of the means of influence*, such as arguing, demanding or forcing, giving a command, trying to convince, or punishing. Theoretically any activity could be scored here, so long as it is oriented toward control of the means of influence. Physical power could be scored as power imagery, but not if it were only an expression of hostility.

3. There is a statement of an interpersonal *relationship that is culturally defined as one in which a superior has control of the means of influencing a subordinate.* The relationship must not only be mentioned but also carried out in activity. If a boss-worker story

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*Kolb/Rubin/McIntyre, Organizational Psychology: An Experiential Approach, 2nd ed., 1974, pp. 68-69. Reprinted by permission of Prentice-Hall, Inc., Englewood Cliffs, New Jersey.

goes on to elaborate an affiliative bond, then power imagery would not be scored. Futhermore, either the subordinate must be mentioned or the effect on him must be clear. The parent-child relationship, in and of itself, is not scored as a power relationship.

Affiliation motivation is present when any one of the following three things occurs:

1. Someone in the story is concerned about establishing, maintaining, or restoring a *positive emotional relationship* with another person. Friendship is the most basic kind of positive emotional relationship, and to mention that two characters in the story are friends would be a minimum basis for scoring imagery. Other relationships, such as father-son, or lovers, should be scored *only* if they have the warm, compassionate quality implied in the definition given.

2. Statements that *one person likes or wants to be liked* by someone else, or that someone has some similar feeling about another. Moreover, if a close interpersonal relationship has been disrupted or broken, imagery can be scored if someone feels sorrow or grief or takes action to restore the relationship.

3. Also score if the story mentions such *affiliative activities* as parties, reunions, visits, or relaxed small talk as in a bull session. However, if the affiliative nature of the situation is explicitly denied in the story, such as by describing it as a business meeting or an angry debate, imagery is not scored. Friendly actions such as consoling or being concerned about the well-being or happiness of another person are scored, except where these actions are culturally prescribed by the relationship--e.g., father-son. In other words, there must be evidence that the nurturant activity is not motivated solely by a sense of obligation.

SCORING CHECK SHEET

(For the "12 Achievement/Nonachievement Stories")

Story	Score
1	0
2	1
3	0
4	1
5	1
6	0
7	1
8	0
9	0
10	1
11	1
12	1

12 ACHIEVEMENT/NONACHIEVEMENT STORIES

1. The two machinists are about to place the metal into the machine to shape it into their desired shape.

   The man on the left has picked up the material from the bench with the tongs and has walked over to the machine. The man on the right has walked from the bench to the back of the machine.

   The thought of getting the piece of metal into the machine without mishap is being expressed by both men. The man on the right shows signs of apprehension as to the action of the process.

   The piece will be shoved into the machine. The machine will stamp it out. The right hand man will walk over to the bench while the left hand man removes the piece from the machine and places it on the bench again.

2. Two working men are running a milling machine. One is observing the other and offering advice.

   They have spent a lot of time preparing this part and are nearing its completion.

   When work is finished, want it to be good job. Both men.

   Parts will be completed satisfactory, and new job will be started.

3. A broken machine is being repaired. The person whose profile is seen is the repairing technician while the man whose back is toward us is the worker who broke it.

   The worker by not obeying instructions tried to do something which that machine was not capable of doing. He didn't know the limitations of the machine.

   The worker is unhappy--he believes it is his fault. The repairman having this particular breakdown happen to him often thinks it is fault of management not to train their workers properly.

   The technician will repair the machine and will recommend that workers be better instructed in handling that machine, in being taught how to use it and what it can or cannot do.

4. Two elderly gentlemen are discussing something which is being measured in time--since the wristwatch in one gentleman's hand--perhaps one is rehearsing a speech.

Probably there has been some thought preparation by the gentleman who is doing the talking.

The speech is being carefully explained to the listener who is judging it for effectiveness. Their idea is probably to make it most effective in the limited time that is provided.

No doubt they will together arrive at what they think can best be put across in the limited time.

5. People look like businessmen. One has stumbled on an idea and is telling the rest about it. They seem enthused. These four men have worked together, and had been searching for a particular idea. Their success may depend on outcome.

   The fellow is trying to convince the others about it. He wants them to invest their money in it. He has to capture their enthusiasm.

6. The two men are good friends. They have known each other for a long time. One is asking the other for advice.

   They met each other as boys. One was older and protected the younger against outside aggression.

   They are discussing old times. Some of the fun they had as boys.

   They will continue to be friends and seek each other for help when it is needed.

7. The scene is set in the office of a man who is the head or important in some business. The man at the right is this man. He is a superior of the office worker who is at the left as is indicated by his manner and appearance.

   The man at the left, the office worker has performed his duties poorly and has been called in to answer to his superior.

   The head man, the boss, is demanding answers for the poor work. He demands a better standard of work from his employee who looks dejected.

   He threatens that if a better standard of work is not forthcoming, then he will have no other alternative than to fire his employee! This visibly affects the employee.

8. Two men are working at repairing a machine. One is doing the hammering while the other looks on, probably criticizing. Both are machinists.

The machine has probably gone on the bum, and now needs to be fixed. The one hammering has probably been called to the task by the other.

The one on the right wants the other man to fix his machine because something has gone wrong.

The machine will be fixed so that the man on the right can go back to work.

9. Here is an informal discussion between four teachers about some modern day topic. Something like politics or something to that effect.

One of the four men said something which started the discussion. All four men had something to say on the subject so it developed into a full discussion about topic.

Each man is thinking something different, but some of their ideas are similar. They want to discuss the subject fully, but no swaying of their opinions is wanted.

Nothing will happen except they will have a good discussion and it will end for some other time.

10. The persons that are talking are business men in a deal or plotting for their own gain.

They seem to be discouraged with the results in the past and are trying to come up with some new ideas.

The man by the desk is discouraged about something and seems to be giving the man at the window a rough time about it.

The person at the window seems doubtful if he knows what is going on and that probably the other man will go ahead with his plans.

11. Two men, one of them an embryo industrialist, "A" are working in A's home workshop.

A has had a revolutionary idea in the field of transportation. He is working in his free time developing the first model of his invention.

Both men are eagerly anticipating the results of their first experiment. They expect complete success.

It will fail. Their funds run out--the idea is left for someone else to develop.

12. This is a business meeting of young salesmen. The fellow at the head of the table is the head of the department.

Their department has been low and they are in serious need of a lift in sales.

The head of the department has just given the men the usual pep talk and they are about to leave. He is just winding up with hopes that the men will work efficiently. The men take it as the "same old stuff."

The men will go out, a few conscientious men will try hard to get sales, the rest will go along at the same rate. Sales will go up slightly and the whole group will be complimented for a few men's work.

12 PRACTICE ACHIEVEMENT STORIES

1. One fellow is the supervisor and the other the machine operator. There has been trouble with the machine, and the supervisor is attempting to repair it. The machine operator explained what he thought has been wrong. Upon inspection by the supervisor, this theory has been proven correct. The boss wants to prove that he is capable of making minor repairs. The boss will do part of the repairs, but due to the technicalities of the machine he will have to call a specialized repairman from the outside.

2. An operation is taking place. The persons are the doctor, patient, nurse, and a student. The doctor is concentrating on his work. The student is attending the doctor's movements, the nurse probably thinking of her boy friend. A good job is wanted by the doctor and student. The doctor will complete the operation, give a lecture on it, the student will ask questions on the work, the nurse will take off on her other duties.

3. Something is being heated in a furnace. The men have been doing research on an alloy of some type and this is the crucial test that spells success or failure of the experiment. They want a specific type of metal. They may be successful this time. They have invented a metal that is very light, strong, durable, heat resistant, etc. A real step in scientific progress.

4. The boy is a student and during a boring lecture his mind is going off on a tangent, and he is daydreaming. The instructor has been talking about medieval history. The boy is thinking of riding out of a castle, waving goodbye to his lady fair, and going into the battle and accomplishing many heroic deeds. When the instructor starts questioning the students on various aspects of the lecture, the boy will become frantic realizing he has not been paying attention.

5. The boy is a thinker, bored with his schoolwork he is attempting to do. The boy is eager to graduate. He has faith in his capabilities and wants to get started on the job he has lined up, dreaming of advancements. The boy will graduate ranking near the middle of his class.

6. A man is experimenting with a new alloy of iron, while his assistant looks on. The two men have experimented and failed many times over but have stuck to their job. Both men are hoping that at last they have succeeded in making the strongest steel possible. They will test their alloy and find that it meets with their expectations.

7. A young person wishes to become a doctor. He can visualize himself performing an operation. He is thinking of the pleasant or glamorous side

of the picture and not the long years of study. He will be unable to pass premedical school. He decides to become a lab technician as he wants to stay in that field.

8. Watt and an assistant are working on the development of the steam engine. There has been a need for mechanical power, time, and labor saving machinery to increase production. A need for better and faster transportation. It looks as though they are fitting a valve or piston.

9. A skilled craftsman is working at his machine. A townsman wanted a basket woven in a certain way and asked the craftsman to make it. The craftsman is absorbed in his work and thinks that this will be another fine product worthy of his reputation. He will work far into the night until it is finished and display it with pride the next day when the townsman calls for it.

10. James Watt and his assistant are working on the assembly of the first steam engine. All previous experiments have failed. If the slide valve works, the first compound steam engine will be harnessed. James Watt is pulling the pinion in place for the slide valve. His assistant is watching. If the slide valve works satisfactorily, they will perfect it for use in factories and for use on the railway. It will work.

11. A boy is daydreaming. He is a student who knows he has to study. In the past he has had poor marks. Now he realizes he must study harder or else his schoolwork will just be a waste of time. This man will really study and prove to himself he is not a failure but will make good.

12. A young boy is daydreaming about the past wars in which doctors have participated. He is not sure of the course to follow. He cannot decide whether or not to become a doctor. He is thinking of John Drake, the great surgeon of World War I, and his great feats in it. He was certainly a remarkable man. The boy will finally become a famous surgeon himself and in turn will be an incentive to the future doctors of the world to work hard and be interested only in the welfare of mankind.

SUBUNIT: POWER, AFFILIATION, AND INDEPENDENCE NEEDS

OBJECTIVE: Students examine the effects of the power, affiliation and independence needs on entrepreneurial behavior, and, in a limited way, explore their own needs or motivations.

Recommended class time: Two hours.

ENABLING OBJECTIVES:

1. Students recognize how specific motivations effect entrepreneurs by playing the Tower Building Game.

2. Through a class discussion and reading of Kolb's explanation, students demonstrate an understanding of power and affiliation motives and compare these motives to the motives observed during the Tower Building Game.

3. Students score individually their original TAT Stories for affiliation and power by following the abbreviated scoring system on Student Information Sheet 5, "Scoring the Three Motives: Achievement, Power, and Affiliation."

4. Students demonstrate an understanding of the need for independence as a strong operative motive of entrepreneurial behavior by discussing as a class the independence/dependence need syndrome observed in the Tower Building Game.

ADVANCE PREPARATION:

Obtain a set of children's building blocks containing about 30 blocks of various shapes. See Teacher Information Sheet 4, "Tower Building Game" for game instruction.

RESOURCES:

Building blocks
Teacher Information Sheet 4, "Tower Building Game"
Student Information Sheet 6, "The Motive Patterns of Managers (and Entrepreneurs)"
Student Information Sheet 5, "Scoring the Three Motives: Achievement, Power, and Affiliation." (From Subunit: Achievement Motivation)

INSTRUCTIONAL ACTIVITIES:

- In addition to the need for achievement, three other needs have also been closely identified with entrepreneurial behavior. They are the Need for Power (n Power), the Need for Affiliation (n Affiliation), and the Need for Independence (n Independence).

Power, Affiliation, and Independence Needs

To stimulate a discussion of the needs for power, affiliation and independence begin this session with the "Tower Building Game," Teacher Information Sheet 4.

After the game is over have the students discuss the behaviors exhibited in the game. What motives or needs were behind the behaviors? Did they notice specific motivations under discussion behind the behavior of the participants in the game? Can they describe these, giving specific instances? How did the "workers" react under different motivational climates? How did they perform?

Allow about 25-30 minutes for this activity.

- Familiarize the students with the concepts of power and affiliation.

The need for power is defined as "that disposition directing behavior toward satisfaction contingent upon the control of the means of influencing another person . . . the means of control can be anything at all that can be used to manipulate another person."[1] People who have high power motivation are concerned with influence, control, status, prestige and their impact on others.

The need for affiliation is concerned with positive relationships with other people. These relationships can best be described by the word friendship.

Both power and affiliation needs can be double-edged. Too much power or too high a need for affiliation can be detrimental. For instance, a person with a very high need for power is more likely to develop an autocratic type of leadership style. A high need for affiliation person can become too little task oriented. Also, he may find his personal bonds with his kith and kin so strong that they may come in the way of satisfying his need for independence. In the case of an

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[1]Atkinson, John (ed.). *Motives in Fantasy, Action and Society*. Princeton, New Jersey: D. Van Nostrand Co., Inc., 1958, p. 105.

entrepreneur, if his strong needs for Achievement and Independence are balanced by moderate needs for power and affiliation, he is likely to develop a better organization.

To clarify the need for power and the need for affiliation and their interrelationship with the need for achievement have the students read Kolb's explanation of these motives; Student Information Sheet 6, "The Motive Patterns of Managers (and Entrepreneurs)."

Have the students briefly reexamine their behavior in the Tower Building Game. Were examples of power, affiliation, and achievement needs present?

Allow about 20 minutes for this activity.

- The need for independence is to be dealt with separately, but before that, have the students score their four original TAT stories using the Student Information Sheet 5, "Scoring the Three Motives: Achievement, Power, and Affiliation." (From Subunit: Achievement Motivation)

Allow about 30 minutes for this section.

- The need for independence is a strong operative of entrepreneurial behavior. At the same time, a corollary and concomitant need that arises is dependence. Relate the discussion on the needs for independence and dependence to behaviors of workers in the Block Building Game. Question the students for the specific instances they noticed the two motives in the workers and how they affected their performance. Stress how the independence motive helped the workers to be more efficient and effective.

Ask the students to name some situations in which they felt a strong need for independence and situations in which they felt a strong need for dependence. What did they do? Pick up one or two cases and discuss them.

Power, Affiliation, and Independence Needs

Introduce the students to the Independence-Dependence Syndrome. The example of a child growing up through adolescence into adulthood can illustrate the syndrome well. At birth a person is virtually totally helpless and dependent, but soon he is seeking independence, wanting to do many things on his own--as early as 18 months or two years. As he grows further his need for dependence decreases, but it is never nonexistent. During adolescence it seems like both the needs for independence and dependence are assering themselves equally, baffling the parents. Too much independence or too much dependence can both lead to problems. Both needs need to be recognized and met. Illustrate on the board the following:

1. CHILD —— DEPENDENCE ⟷ ADOLESCENT —— INDEPENDENCE / DEPENDENCE ⟷ ADULT —— INDEPENDENCE ⟷

2. ADOLESCENT —— INDEPENDENCE ⟶ ‖ ⟶ PROTEST / WITHDRAWAL → REBELLION
   OR
   SUBMISSION → WITHDRAWAL / ACQUIESCENCE

You may wish here to go through a few TAT Stories that students have written and look for "independence imagery" and "dependence imagery." Use your own or let students use their own criterion or criteria for this purpose.

Draw lessons from this for the prospective entrepreneur. Trace the role of the needs for independence and dependence in the genesis of an entrepreneur. Stress that the desire for independence causes many individuals to break away from their dependency situations and start their own business; but that soon, he must depend on others for satisfying his own needs. He must recognize too that the people in his own organization, when he sets up one,

have these needs and others that they may be striving to satisfy. Ask what he can do about them.

Finally, have the students discuss the following statement derived from research findings on risk taking: "Independence contributes to greater risk taking." Discuss why or how.

Allow about 20 minutes for this section.

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TOWER BUILDING GAME

This game is often used to illustrate leadership styles in manager/supervisor and subordinate relationships, it can be equally effectively used to illustrate motivation-behavior patterns, organizational climate, interpersonal needs/goals conflicts and communication. At least three rounds of the game are necessary to bring out the above points. The rounds can be played with one entrepreneur-manager and one worker in a round or one entrepreneur-manager and two workers. Or these combinations can be mixed; four rounds instead of three can be played too. Interesting results can be obtained from introducing role playing, assigning different styles to different groups of players or the individual players.

A suggested procedure could be as follows:

1. Ask for six volunteers to play the three rounds, the objective of the game is for each pair to build as high a tower of blocks as they can without knocking any over. When a block falls the game is over.

2. Ask which three of them wish to be entrepreneur-managers and which of them the workers. Pair off three manager-worker groups.

3. Brief the first pair separately that the manager sets the goal for the worker and has to exercise very close and direct supervision. Brief the second pair that in their pair the worker will have the opportunity to set his own goal, but the manager can change it and decide the goal and supervise the worker in his own way. Brief the third pair that in their pair the manager and the worker are very friendly and they play the whole round "by ear."

4. One pair plays the game at a time while the other pairs stay outside the classroom. The other participants are observers, keeping notes if necessary.

5. After each pair enters the classroom, blindfold the worker and start the play.

6. The worker must use only the nondominant hand. That is, if he is right handed he uses his left hand and vice versa.

7. Each round begins by the setting of goals.

8. Each round is recorded as follows:

	Time Used In Goal Setting	No. of Blocks Set	Time Taken
Round 1			
Round 2			
Round 3			

9. Discuss the results in the light of the power, affiliation, independence, and achievement motivations seen in the game.

THE MOTIVE PATTERNS OF MANAGERS (AND ENTREPRENEURS)[1]

1. Need for Power

Many managers have a high need for power. As categorical as that statement is, it makes no value judgments about the type of manager a person high in need for Power is. His effectiveness as a creator of company climate lies not only in his need for power but also in the other values he brings to his job.

John Andrews' study of two Mexican companies is striking in this regard. Both companies had presidents who scored high in need for Power, but one firm was stagnating whereas the other was growing rapidly. The manager of the growing company, though high in need for Power, was also high in need for Achievement and was dedicated to letting others in the organization satisfy their own needs for achievement by introducing improvements and making decisions on their own. The stagnant company, though well capitalized and enjoying a favorable market, was constantly in turmoil and experienced a high rate of turnover, particularly among its executives. In this company, the president's high need for Power, coupled with highly authoritarian values, led him to make all the decisions himself, leaving no room for individual responsibility on the part of his personnel. A comparison of motivation scores of upper-level managers of the two companies showed that the dynamic company's managers were significantly higher in need for Achievement than those of the stagnant company, who tended to be more concerned with power and compliance than with individual responsibility and decision-making.

The results of research has shown that a manager needs a reasonably high need for Power in order to function as a leader. Whether he uses it well depends in large part on the other values and motives he holds. Being high in need for Power does not automatically make one autocratic or authoritarian. Good leadership may indeed be a function of the manager's ability to understand his need for power and enjoy using it in creative, satisfying ways.

2. Need for Affiliation

The man high in need for Affiliation alone, since his concerns are more with warm, friendly relationships, is more likely to be in a supervisory job (if he is in industry at all), a job where maintaining relationships is more important than decision-making. Kolb and Boyatzis have shown that people

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[1]Kolb/Rubin/McIntyre, Organizational Psychology: An Experiential Approach, 2nd ed., 1974, pp. 69-71. Reprinted by permission of Prentice-Hall, Inc., Englewood Cliffs, New Jersey.

high in need for Affiliation alone are seen as ineffective helpers, probably because they fear disrupting relationships by forthrightness and confrontation. They have shown, however, that the people who are seen by others as effective helpers tend to have relatively even motive strengths across the three motives, not being extremely high or low on any of the three. Although strong need for Affiliation does not seem to be central to leadership and management performance, some concern with the feelings of others is necessary. Some concern with affiliation is important in understanding the needs of others and in generating a climate that takes those needs into considerations. Noujiam has shown that high need for Affiliation managers spend more time communicating than high need for Achievement or high need for Power managers. Communicating with others in warm, friendly ways is of real importance to the achievement of organizational goals. When people can collaborate and communicate on task accomplishment, the climate of the organization is improved.

3. Need for Achievement

Whereas a high need for achievement seems absolutely necessary for the entrepreneur, it is not always functional for managers, as creators of an organization's climate, to be extremely high in this motive. Noujiam has shown in a study that executives high in need for Achievement tend to have fewer meetings than other executives and tend to want to work alone, despite the fact that many organizational problems would be better solved by collaborative effort. (For example, high need for Achievement managers spend significantly more time doing personnel work alone.) As with executives high in need for Power, their effectiveness as managers depends more on their other values than on their motivation alone.

The person high in need for Achievement wants to take personal responsibility for his success or failure, likes to take calculated (moderate) risks, and likes situations in which he gets immediate, concrete feedback on how well he is doing. His need for feedback keeps him from getting too involved in open-ended, exploratory situations with no concrete goal and no benchmarks along the way. His sense of personal responsibility will keep him from delegating authority, unless he holds values that let him see developing a viable organization as a legitimate achievement goal. He will be task-oriented, but the kind of climate he creates in an organization will be healthier if his strong need for Achievement is balanced by moderate needs for power and affiliation, and if he is committed to building an achievement-oriented organization that is capable of taking responsibility and calculated risks and that enjoys knowing how it is doing each step of the way.

SUBUNIT: RISK TAKING

OBJECTIVE: Students recognize some ways in which moderate, calculated risk appears as an essential feature of entrepreneurship.

Recommended class time: Two hours.

ENABLING OBJECTIVES:

1. Students experience risk taking by participating in a game of Ring Toss and by discussing their performance in the game.

2. Students demonstrate understanding of moderate and calculated risk taking by identifying the differences between unbridled risks and moderate risks and comparing the risk taking behaviors of an habitual gambler with those of entrepreneurs.

RESOURCES:

Teacher Information Sheet 5, "The Ring Toss Game"
Student Information Sheet 7, "Characteristics of the Habitual Gambler"
Student Work Sheet 8, "Entrepreneurial Risk Taking"

ADVANCE PREPARATION:

Obtain a set of three rings six inches in diameter (metal, plastic, rubber) and a 1 1/2 foot peg about one inch in diameter. Also obtain a yardstick and some chalk for making lines. Review directions for setting up and playing game.

INSTRUCTIONAL ACTIVITIES:

- Have the students play the Ring Toss Game, Teacher Information Sheet 5.

  This activity takes approximately 50 minutes.

- Lead the students in a discussion on their performance in the Ring Toss Game. Who took too high and who took too little risk? What were their scores at the different distances? How did those who took "average" distances perform? How did their chances of success differ from those who tossed from longer or shorter distances? How did things change with the introduction of the monetary rewards?

  Summarize this activity by discussing the following "criteria" of calculated risk (based on N. P. Singh):

1. Stability - even if losses do occur, they are not such as to create large instabilities in ones' situation.

2. Consistent level of success - a short lived phase of success or prosperity against a long succession of failure and what will amount to nothing really successful. Or, the other way around, a few failures against a series of success results in overall success.

3. Adaptiveness and capacity for varied action - Elasticity and the ability to weather adversity and bounce back.

4. Consideration of individual opportunity - a lost opportunity might be worse than a bad risk.

5. A sense of inner contentment - success should mean more than money, prestige.

6. Personal risk - pronounced damage to self-image, health or social status.

Calculated risk in a business involves two aspects, the change occurrence or probability of the events leading to profit or loss in business, and the magnitude of the losses which may occur.

Time for this activity is 25 minutes.

° Distribute Edmund Bergler's "Characteristics of the Habitual Gambler," Student Information Sheet 7.[1] Have the students take five minutes or so to read the characteristics. While they are reading, list the main characteristics on one side of the board. Make sure students are aware that one of the essential features of entrepreneurship is risk. By definition, enterprise is the willingness to venture on bold, hard, dangerous, or important

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[1]Additional suggestion for comparing and discussing the habitual gambler and the entrepreneur: You may want the students to role play a gambler and an entrepreneur while playing one or two hands of poker in front of the class. (You may want to substitute a game like monopoly for poker.)

undertakings; readiness to take risks or try something untried. Nonetheless, a genuine entrepreneur takes moderate and calculated risk. It is this aspect of risk taking than an aspiring entrepreneur must become aware of.

Now that the students have discussed calculated risk--ask the students to state how they see an entrepreneur against each of the gambler's characteristics. The discussion should stress that the gambler fights against forces which he cannot control, demonstrating a passive tendency whereas an entrepreneur actively gives consideration to safeguards against heavy losses. That is why he is constantly seeking "immediate" feedback to know how exactly he is faring. The entrepreneur is aware of the risks he is taking and does not ignore the realities of the situation.

At the end of this discussion have the students list the attributes of entrepreneurial risk taking on Student Work Sheet 8, "Entrepreneurial Risk Taking." They will need this for the subunit in decision-making.

Time for this activity is 20 minutes.

- Finally, conclude the sessions on risk taking with a discussion on factors affecting high/low risk taking for prospective entrepreneurs. Examples are:

1. Independence-dependence-independence contributes to greater risk taking.

2. Age - younger people tend to take greater risk.

3. Security - does "middle class" security demotivate individuals from risk taking? A steady job, steady income, etc.

4. Family Relationships - a higher need for affiliation may mean a lower level of risk taking capacity.

5. Education - higher or lower education - which one aids or impedes risk taking?

6. Confidence levels - "Young men are significantly higher in confidence than old men"--a research finding.

7. Need to Achieve - persons with a high need for achievement tend to take calculated and moderate risk.

Time for this activity is 5 minutes.

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THE RING TOSS GAME

Obtain a set of three rings six inches in diameter (metal, plastic, rubber) and a 1 1/2 foot peg about one inch in diameter. Set the peg in or on firm ground and measure off 50 feet from the peg, drawing lines one foot apart. Give each student three chances to toss the rings on the peg selecting his own distances. For each student record the distance and success or failure with each throw.

Now introduce monetary rewards in the next round. Use your own rates of reward and record the successes/failures and distances for each student. A couple of suggestions are: Student pays if he or she misses a toss; student pays 25¢ a toss and gets 50¢ a hit.

Discuss briefly the distance and success/failure rates, the feelings involved, the level of risk taken, and reasons for deciding distances, etc. Discuss what effects the monetary rewards system has on the risk taking pattern.

CHARACTERISTICS OF THE HABITUAL GAMBLER*

1. The gambler habitually takes chances: In other words, the gambler leaps habitually at every chance to make a wager. On this criterion, the man who regularly buys one or two raffle tickets every month would not be counted as a gambler, because he takes moderate risks. When he spends a dollar or two over the purchase of lottery tickets, he realizes that his money is as good as gone. When the results of the draw are announced in the newspapers, he has a feeling that his ticket may not win any prize, and if that turns out to be so, he is not disappointed or frustrated. He may not rush to buy lottery tickets the following month. The gambler would, on the other hand, invest large sums of money, more than he can afford, on the purchase of different categories of lottery tickets, using all sorts of systems of calculations, in the hope of winning.

2. The urge to gamble predominates over all other interests: The gambler dissipates his mental energy by concentrating it on calculating chances and making predictions of success. All his thoughts and fantasies center around one desire--the desire to make the big gain. The more absorbed he becomes in his gambles, the less interested will he be in anything else.

3. The gambler is full of optimism, and never learns from defeats: The gambler in fact labors under the idea--undoubtedly a false belief--that he will ultimately win. He is never therefore put off by financial loss, however great. He expects, sometime, by one sweep, to recover all that he has lost. He has, so to say, signed a contract with Fate that his importunity will eventually be rewarded. This makes him impervious to any rational consideration that in any gambling venture, the chances of a win are microscopically small as compared with the chances of loss. Against his firm belief that he is destined to win, there can be no court of appeal.

4. The gambler never stops when winning: When a gambler achieves some gain, not only is he encouraged by his success, but he presses on under the influence of the irresistable impulse that he will win more and more. It will never occur to him that his winnings were due to mere chance, maybe one in a thousand or more. This inability to stop when fortune is still smiling on him marks off the true gambler from one who is out to try his luck, like the lady who bagged a fabulous jackpot at the races, and walked away with a huge packet of money, never to darken the doors of the race course again.

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*Bergler, Edmund. *The Psychology of Gambling*. London: Bernard Harrison, 1958.

5. The gambler may be initially cautious, but he risks too much: The gambler is motivated by a guilt feeling which prompts him to try a small stake in the beginning, as a pallative to his conscience. Gradually the stakes increase, especially if he loses over and over again, and this goes on without any scruples as to size. Sooner or later, every gambler loses his head, forgets his good intentions, and risks everything on one card usually to lose. He is, as it were, driven by an inner compulsion to repeat actions which cannot be logically explained.

6. The gambler seeks the thrill of the game: Apart from the rationale of trying to make money, gamblers usually also claim that they find great pleasure and personal satisfaction out of the thrill which the game gives them. Gamblers who are not hypocritical usually admit that they seek a strange tension experienced in the game. This tension is partly pleasurable and partly painful. Normal people will do their best to avoid any painful uncertainties, but these are just what the gambler longingly seeks. This makes the mental disposition of the habitual gambler distinctly abnormal.

ENTREPRENEURIAL RISK TAKING

Describe six attributes of risk taking by the entrepreneur that you have discussed in class:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

SUBUNIT: CREATIVITY FOR ENTREPRENEURS

OBJECTIVE: Students recognize the creative process as an important attribute for the potential entrepreneur.

Recommended class time: Two hours.

ENABLING OBJECTIVES:

1. Students define creativity by participating in a class discussion about several definitions of creativity.

2. Students realize that creativity is an essential characteristic of entrepreneurs by practicing creativity in entrepreneurial situations in small groups.

3. Students recognize the individual attributes and environmental factors which foster creativity by participating in a class discussion about, "Conditions Fostering Creativity," Student Information Sheet 8.

4. By reading and discussing the poem, *The Calf Path*, students realize that tradition often stifles creativity. Student Information Sheet 9 is used with the class.

5. Students practice the creative process by participating in individual and class creativity exercises.

RESOURCES:

Student Information Sheet 8, "Conditions Fostering Creativity"
Student Information Sheet 9, "The Calf Path"
Student Information Sheet 10, "Pocket Guide for Brainstorm Sessions"
Student Work Sheet 9, "Structurally Forced Connections"

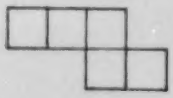
ADVANCE PREPARATIONS:

In the second session several suggested activities may be substituted for those covered in the sub unit. If you decide to use these, extra preparation will be necessary. See page 109.

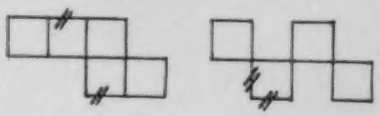
INSTRUCTIONAL ACTIVITIES:

- You may want to open this session on creativity with an exercise such as the following:

Put this diagram on the board:

Problem 

Tell the students to imagine the lines forming the five squares as 16 match sticks. By moving only two match sticks it is possible to make four squares. The two match sticks should not be taken away nor placed over the others. Give the students three minutes to ponder the problem. Then ask volunteers to come to the board and try their solutions.

Solution 

The exercise is designed to get the students thinking about new combinations.

Point out that creativity has been defined as the ability to make new combinations of social worth.

Put the following quotations on the board or a transparency: "Nothing can be made of nothing," and "The most original ideas are nonsense because all sensible ideas have some nonoriginal connection with previously existing facts or relationships." Ask the students for their comments about the quotes.

Allow about 15 minutes for this section.

- Point out that creativity actually involves three types:

Intrapersonal creativity - Creativity within the self
Interpersonal creativity - Creativity in dealing with others
Technological creativity - Creativity with things

Ask the students how they feel an entrepreneur would use these three types of creativity.

- As a further illustration of entrepreneurial creativity select about three students to be creative in an entrepreneurial situation. Ask the selected students to move their chairs to the center of the room and the others to sit around them forming a "fish bowl" situation. Now present the students with one of the following situations.

  > You're going to open a wayside cafe, campus bar, dress shop, stereo store, service station, etc. (Suggest one to the students.)
  >
  > How would you make your business different from the already established businesses in that area?

  Give the students in the "fish bowl" 5 minutes to think aloud their ideas. Repeat the activity with several groups of students.

  Allow about 15 to 20 minutes for this section.

  Student Information Sheet 8, "Conditions Fostering Creativity" should be given to the students at this point. Initiate a class discussion about the individual attributes and environmental factors listed on the handout. Relate these points to the student's behavior in the "fish bowl" discussion.

  Allow about 10 minutes for this discussion.

  To illustrate further the idea of getting out of a rut or changing habits you may want to read or have one of the students read aloud Student Information Sheet 9, "The Calf Path." Ask the students to suggest examples where tradition has stiffled creativity and innovation. Discuss the stage where we are now. Is there scope for blazing new trails?

- Select a couple of the following exercises designed to practice the creative process.

1. New Uses for an Object

Take any common object such as a pencil, brick, 3 matches, a dried prune, cigarette boxes, or toilet paper core and place it on the table in front of the class. Give them five minutes to think aloud of as many new uses for the object as possible.

2. Brainstorming

Following Student Information Sheet 10, "Pocket Guide for Brainstorm Sessions," conduct a brainstorm session in the classroom. Select a problem which fits the criteria on the guide and will be of interest to the students. You may want to get suggestions from the students. An example might be: "A clothing manufacturer has 10,000 'midi' skirts left at the end of a selling season. Consumers would not accept the new style. What can he do with the extra stock? Be sure the students have read the guide and understand the technique of brainstorming.

If the class is over 25 students divide the students into two brainstorming groups. After the groups have come up with lists of ideas, have the students meet as a class and compare the lists. Pick out a common list of the most practical ideas.

Allow about 30 minutes for this activity.

3. Manipulative Verbs*

Use words (verbs) to manipulate a subject by changing its position or by altering its shape, function, size, etc. Manipulative verbs can produce a series of ideas in a short time. This can be used as a class exercise but it is also an excellent method for working alone.

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*Adapted from Bagnall, Jim and Koberg, Don. *The Universal Traveler.* New York: Harmony Books. 1974. Printed by permission of the publisher, William Kaufman, Inc., Los Angeles, California 99022.

For example: House

Verbs:	magnify	----	mansion
	minify	----	pup tent
	rearrange	----	sleep in kitchen
	alter	----	two living rooms
	adopt	----	boarding school
	modify	----	no living room
	substitute	----	cave
	reverse	----	live outside
	combine	----	houseboat

Other verbs:

multiply	distort	fluff up	extrude
divide	rotate	bypass	repel
eliminate	flatten	add	protect
subdue	squeeze	subtract	segregate
invest	complement	lighten	integrate
transpose	submerge	repeat	symbolize
unify	freeze	thicken	abstract
dissect	soften	stretch	etc.

Go through the example "house" or choose another. Put the list of verbs on the blackboard or distribute as a handout. Ask the students to select other manipulative verbs. Ask the students to select a subject and "manipulate" it individually with at least 25 verbs.

Allow about 20 minutes for this activity.

4. Structurally Forced Connections*

Run through the exercise given on Student Work Sheet 9, "Structurally Forced Connections" with the class using the example given or another subject more appropriate to the student's area of interest. Ask the students to examine two situations of their own using the "Structurally Forced Connections" method. They can share their inventions with the class after the exercise.

Allow about 20 minutes for this exercise.

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*Adapted from Bagnall, Jim and Koberg, Don. *The Universal Traveler.* New York: Harmony Books. 1974. Printed by permission of the publisher, William Kaufman, Inc., Los Angeles, California 99022.

The following suggestions are exercises and activities you may wish to develop and add to or substitute for some of the exercises described in this subunit.

1. Introduce a "junk" or "what is it" object and have students try to develop it into something useful.

2. Invite an inventor to class and ask him to explain how he came about having his inventions.

3. Arrange field trip to industry (etc.) within field and study innovations being developed or used.

4. Bring in a living thing of nature and have students observe its mechanical or construction features and then develop product useful to man.

5. Develop a new way of doing a boring routine task such as mowing the lawn, brushing your teeth, washing windows, etc.

6. Propose a problem of being stranded on a tropical island with just four things - a tennis racket, a refrigerator, a life preserver, and a bottle. Ask for ideas on how students will spend three days on the island and plan for a return.

7. Invite a representative from a purchasing company to make the students aware of potential opportunities for profiting from creative ideas.

8. Invite someone from a patent office or patent attorney to share and discuss unusual creations submitted for patents.

9. Have students read, *The Boy Who Invented Bubble Gum*. (See Bibliography)

10. Have the class analyze student needs within the school and develop the products or services to fulfill these needs. Example: transportation (van), food (box lunches), peer clothing (patches for dungarees).

11. Study ways of implementation of new means of conservation and recycling within the community.

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CONDITIONS FOSTERING CREATIVITY

Individual Attributes

1. Curiosity - inquisitiveness
2. Flexibility - openness of mind
3. Sensitivity - permits him to note many things
4. Motivation - a restless urge to acquire knowledge
5. Positive human relationships
6. Capacity for team work
7. Intellectual discipline
8. Ability to entertain two seemingly conflicting ideas - complexity
9. High need for Achievement
10. Tolerance for ambiguity
11. Persistence in the face of failure
12. Unafraid of being a deviant

Environmental Factors

1. Freedom to work, think, express
2. Less emphasis on rules and regulations, flexible interpretation
3. Creative attitude to mistakes
4. Reward for innovations
5. Use of innovations
6. Giving credit - the creative individual must feel that it is his handiwork
7. No evaluation - deferment of judgment
8. Sympathetic regard for findings even if they are not immediately useful.
9. Permissiveness (in thinking)
10. Satisfaction of needs
11. Non-authoritarian attitudes
12. Absence of pressure to conform
13. A challenging job situation
14. Ideas from everywhere

*THE CALF PATH**
by
Sam Walter Foss

One day through the primeval wood, a calf walked home
as good calves should;
But make a trail all bent askew, a crooked trail as
all calves do.
Since then three hundred years have fled, and I infer
the calf is dead.
But still he left behind his trail, and thereby hangs
my moral tale.

The trail was taken up next day, by a lone dog that
passed that way;
And then a wise bell-weather sheep, pursued the trail
o'er vale and steep,
And drew the flock behind him, too, as good bell-weathers
always do.
And from that day, o'er hill and glade, through those
old woods a path was made.

And many men wound in and out, and dodged and turned
and bent about,
And uttered words of righteous wra*h, because 'twas
such a crooked path;
But still they followed - do not laugh - the first
migrations of that calf
And through this winding wood-way stalked, because he
wobbled when he walked.

This forest path became a lane, that bent and turned
and turned again;
This crooked lane became a road, where many a poor
horse with his load,
Toiled on beneath the burning sun, and travelled some
three miles in one.
And thus a century and a half, they trod the footsteps
of that calf.

*Source unknown

The years passed on in swiftness fleet, the road
became a village street;
And this, before the men were aware, a city's crowded
thoroughfare.
And soon the central street was this, of a renowned
metropolis;
And men two centuries and half, trod in the footsteps
of that calf.

Each day a hundred thousand men, follow this zigzag
calf again,
And o'er his crooked journey went, the traffic of a
continent.
A hundred thousand men were led, by one calf near
three centuries dead.
They followed still his crooked way, and lost one
hundred years a day;
For thus such reverence is lent, to a well-established
precedent.

A moral lesson this might teach, were I ordained and
called to preach;
For men are prone to go it blind, along the calf-path
of the mind,
And work away from sun to sun, to do what other men
have done.
They follow in the beaten track, day in and out, and
forthand back,
And still their devious course pursue, to keep the path
that others do.

They keep the path a sacred groove, along which all their
lives they move;
But how the old wood-gods laugh, who first saw the
primeval calf.
Ah, many things this tale might teach - but I am not
ordained to preach.

*POCKET GUIDE FOR BRAINSTORM SESSIONS**

Choosing the Brainstorm Topic

1. Break down complex problems into problems specific enough to be Brainstormed. Instead of "How can we promote a new toothpaste?", use three separate problems:

   "How can we promote a new toothpaste:

   a. to the dentist?
   b. to the trade?
   c. to the consumer?"

2. The basic aim of Brainstorming is to pile up a quantity of alternative ideas. Therefore, your problem must be one that lends itself to many possible answers.

3. Do not try to Brainstorm problems requiring value judgments like "What's the best time to start our new campaign?" Brainstorming cannot make a decision for you.

Osborn Rules for Brainstorm Sessions

1. Criticism is ruled out:

   Judgment is suspended until a later screening or evaluation session. Allowing yourself to be critical at the same time you are being creative is like trying to get hot and cold water from one faucet at the same time. Ideas are not hot enough; criticism is not cold enough. Results are tepid.

2. Free-Wheeling is welcomed:

   The wilder the ideas, the better. Even offbeat, impractical suggestions may "trigger," in other panel members, practical suggestions which might not otherwise occur to them.

3. Quantity is wanted:

   The greater the number of ideas, the greater likelihood of winners. It is easier to pare down a long list of ideas than puff up a short list.

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*Published as a Public Service by Public Relations Department, Bristol-Myers Product Division, 45 Rockefeller Plaza, New York.

4. Combination and improvement are sought:

   In addition to contributing ideas of their own, panel members should suggest how suggestions by others can be turned into better ideas, or how two or more ideas could be combined into a still better idea.

Idea Spurring - Questions

PUT TO OTHER USES?	New ways to use as is? Other uses if modified?
ADAPT?	What else is like this? What other ideas does this suggest?
MODIFY?	Change meaning, color, motion, sound, odor, taste, form, shape? Other changes?
MAGNIFY?	What to add? Greater frequency? Stronger? Larger? Plus ingredient? Multiply?
MINIFY?	What to subtract? Eliminate? Smaller? Lighter? Slower? Split up? Less frequent?
SUBSTITUTE?	Who else instead? What else instead? Other place? Other time?
REARRANGE?	Other layout? Other sequence? Change pace?
REVERSE?	Opposites? Turn it backward? Turn it upside down? Turn it inside out?
COMBINE?	How about a blend, an assortment? Combine purposes? Combine ideas?

Pitfalls to Avoid in Setting up a Brainstorming Program

1. Failure to indoctrinate your panel in the technique of Brainstorming.
2. Failure to get support of at least one of your supervisors.
3. Overselling the technique before you have results to show.
4. Failure to state your problem properly, or to make it specific enough.
5. Failure to evaluate the ideas creatively.

6. Failure to take action on the best ideas.

7. Failure to report to panel members what action is taken on ideas.

8. Selling the use of Brainstorming as a substitute for individual thinking. It is a supplement.

STRUCTURALLY FORCED CONNECTIONS*

Since inventions are simply new ways of combining old bits and pieces, an exercise in combination is an excellent invention finding scheme.

1. List the attributes of the situation.

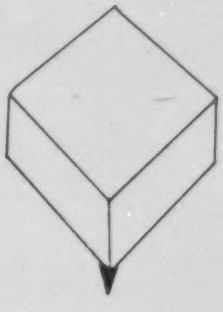
2. Below each attribute, place as many alternatives as you can think of.

3. When complete, make many random runs through the alternatives, picking up a different one from each column and combining them into an entirely new form of the original subject.

Example: Subject: improve a ball-point pen.

Attributes:	cylindrical	plastic	separate cap	steel cartridge
	faceted	metal	attached cap	no cartr[illegible]e
	square	paper	no cap	permanent
	beaded	wood	retracts	paper
	sculptured	glass	cleaning cap	made of ink

Invention: a cube pen; one corner writes leaving six faces for ads, calendars, photos, etc.



Now examine two situations using the "Structurally Forced Connections" method.

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*Adapted from Bagnall, Jim and Koberg, Don. *The Universal Traveler.* New York: Harmony Books, 1974.

SUBUNIT: GOAL PLANNING

OBJECTIVE: Student identify and write goals for themselves that are clear, realistic, attainable, and achievement oriented.

Recommended class time: Three hours.

ENABLING OBJECTIVES:

1. Students describe entrepreneurial goals by discussing and listing the characteristics of achievement oriented goals.

2. Students identify where they are now with regard to cheir own goals in life by examining their present positions in small groups according to guidelines.

3. Students concretize individually their own personal, career, and educational goals by stating them clearly in writing on Student Work Sheet 10, "Goal Setting."

4. Students recognize the importance of planning to the potential entrepreneur by participating in a class discussion on the characteristics of planning.

5. Students begin to implement their career goals by preparing individual goal plans using Student Work Sheet 11, "Goal Plan," comparing in a class discussion several students' plans, and revising their individual plans based on the discussion feedback.

RESOURCES:

Overhead projector
Student Work Sheet 10, "Goal Setting"
Transparency 11, "Definition of Planning"
Student Work Sheet 11, "Goal Plan"

INSTRUCTIONAL ACTIVITIES:

- Consider the term "goal" as a class group. Initiate the discussion with the question, "What is a goal?" Suggest that a goal is an end towards which effort is directed.

  Ask the students to discuss the following story:

  Three bricklayers were once asked, "What are you doing?" The first replied, "I trowel mortar on bricks and put them in place." The second replied, "I am building a wall," and the third, "I am helping to build a church where people can worship the Lord."

How did the goals of the three bricklayers differ?

As another example of types of goals, you may want to have the students read the *Three Little Pigs* fairy tale.

Ask the students to name some characteristics of good goals: Examples are:

clear

realistic

attainable

satisfying

measurable

precise

visible

divisible

related to a definite period of time

challenging

committing

Relate the discussion to "Achievement Motivation." An achievement goal involves excellence in that it includes: (1) competition with the person's own standards, (2) competition with others, (3) an unique accomplishment, and/or (4) long term involvement.

Relate goals to entrepreneurship by asking, "What do goals do for entrepreneurs?" Point out that while continually seeking success, the goal oriented entrepreneur makes every moment count toward achieving his goal. The students should be aware that entrepreneurial goals are achievement goals.

Allow about 15 minutes for this discussion.

- Ask the students to form small discussion groups of three. The purpose of this discussion activity is to help the students gain an understanding of where they are now. This understanding is necessary before they can set goals about where they want to go. Suggest the following questions to stimulate the discussion:

  1. Where am I now? - in terms of my life span.

  2. Am I here by choice? or because of circumstances?

  3. What am I doing? Why?

  4. What are the most important things in my life?

  5. Is what I'm doing now going to help me towards what I want to be?

  Each student takes a turn to reflect verbally on these questions while the listeners give their responses. At the conclusion the students should be ready to set goals describing where they want to go.

  Give the students about 20 minutes for this small group discussion.

- At this point, give the students instructions for completing Student Work Sheet 10, "Goal Setting" when they have completed the work sheet they will have an instrument for looking at their future goals. This activity should be started in the classroom so those students needing your guidance can get it. Encourage the students to put a considerable amount of thought into this activity; it will be of little value to them if the goals are not honest. Use the characteristics given earlier for evaluation. Collect the work sheet at the beginning of the next session.

° Initiate the second session with a discussion on planning by asking the students: What is planning? What does it mean to you? What is involved in planning? What are the characteristics of planning.[1]

Show Transparency 11, "Planning."

> Planning--designing change from what to what, by whom, where, when and by what methods and resources.

Ask the students to list some characteristics of planning. Some suggestions are:

action steps

design

priorities

focus

emphasis

choices

coordination

decision-making

thinking

time frame

Ask the students, "Why should entrepreneurs use planning?" Point out that a written goal plan can:

---

[1]At this point you may opt to show the fifteen minute color film, "Planning Ahead: The Racer." (See Bibliography.) When Johnny wants to transform his dreams of a sporty soap box racer into reality, he tries to do so without knowledge or planning. After a discouraging crash on a test run, he is about to abandon his dream machine. But Johnny's Uncle Bill helps him to make careful plans, earn money to pay for parts, and learn how to use the equipment.

1. Ensure what is to be done and why.
2. Eliminate vagueness.
3. Provide a guide.
4. Establish objectives toward which performance can be directed.
5. Allow for frequent evaluation.
6. Identify priorities.
7. Provide continuity.
8. Avoid wastage of time, money, etc.
9. Ensure efficient use of resources.

The following slogan may be used on a bulletin board.

PLAN YOUR WORK, WORK YOUR PLAN

Allow about 30 minutes for this discussion.

- Have the students start Student Work Sheet 11, "Goal Plan - Part A." The questions in Part A are discussed to help the students complete their actual Goal Plan - Part B.

Part B helps the students to analyze three of the action steps he proposes to take in accomplishing the most important career goal. Have students use one work sheet for each of the Action Steps they listed. Suggest that parents or employers can be a valuable help in making an achievement plan. Encourage the students to put time and effort into developing these plans. Again, have the student begin the work sheet in class and finish outside. Point out that the Goal Plan is not final. The students should return to this plan periodically to check their progress and make changes. Allow the students to work on the plan until the end of this session. Indicate that these plans will be collected at the beginning of the next session.

- In the third session, select several of the student's Goal Plans - Part B for a class discussion. In discussing and evaluating the Goal Plans the following criteria should be used:

  1. Is the goal stated in specific, not general terms?

  2. Is the goal meaningful, something the student really wants to accomplish and to which he is committed?

  3. Are the action steps performance oriented and stated in terms so that they can be evaluated from time to time?

  4. Does the plan identify priorities?

  5. Does the plan identify and ensure efficient use of resources?

  6. Is the plan clear, realistic, and attainable?

  Allow about 30 minutes for the discussion, then return the student's goal plans so they can spend the rest of the session revising them.

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2. Kolb, David A. *Organizational Psychology - An Experiential Approach.* Englewood Cliffs, New Jersey, 1974, Chapter 13, "Personal Growth & Career Development."

3. McBer and Company. *Business Leadership Training Program.* Book II. Boston: McBer and Company, 1974.

4. Swayne, Charles and Tucker, William. *The Effective Entrepreneur.* Morristown, New Jersey: General Learning Press, 1973.

FILM

Agency for Instructional Television. *Planning Ahead, Bread, and Butterflies Series.* Agency for Instructional Television, Box A, Bloomington, Indiana 47401.

KIT

J. C. Penney Company. *An Introduction to Value Clarification* and *Career Development Kits.* Available through Education Lending Library in J. C. Penney Stores, no charge borrowing for two weeks.

GOAL SETTING

Describe as fully as possible your personal aims and goals on this form provided. Consider all goals that are important to you. Be honest with yourself and put your goals, not what you think your instructor may want them to be.

General Description: Your life goals: personal, career, education, and other areas.

PERSONAL GOALS

Description - goals in your relationship with your family, friends, and people in general

Goal #1 _____

_____

_____

_____

Goal #2 _____

_____

_____

_____

Goal #3 _____

_____

_____

_____

CAREER GOALS

Description - goals concerning your future business or career, income, size of business, etc.

Goal #1 _____

_____

_____

_____

Goal #2 _____

_____

_____

_____

Goal #3 _____

_____

_____

_____

EDUCATION GOALS

Description - goals concerning things you would like to know more about, further education you wish to seek, skills you wish to develop.

Goal #1 _____

_____

_____

_____

Goal #2 _____

_____

_____

_____

Goal #3 _____

_____

_____

_____

GOALS IN OTHER AREAS

Description - _____

_____

Goal #1 _____

_____

_____

_____

Goal #2 _____

_____

_____

_____

Goal #3 _____

_____

_____

_____

DEFINITION OF PLANNING

Planning--designing change from what to what, by whom, where, when, and by what methods and resources.

GOAL PLAN - PART A

1. Select your most important career goal from your list of goals in "Goal Setting," Student Work Sheet 9, and state it below.

2. How important is this goal to you? Why?

3. What are you doing now to accomplish this goal?

4. What action steps do you intend to take to accomplish this goal?

Action Steps

I. _____

_____

II. _____

_____

III. _____

_____

5. What will happen if you succeed in reaching your goal?

6. What risk is involved? If you fail, what will be the consequences?

7. What are your personal shortcomings that may keep you from reaching your goal? (Lack of knowledge, personality, etc.?)

8. How will you eliminate or lessen the effect of these shortcomings?

9. What obstacles from the environment are likely to block you from achieving your goal (job requirements, social sanctions, etc.)?

10. What are you doing to eliminate or lessen the effect of these obstacles?

11. What kind of help is available to assist you in achieving your goals?

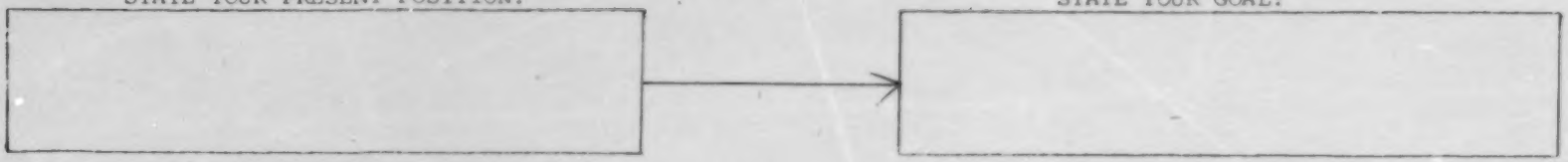
12. What resources (time, money, materials, land, people, experience, power) are available to help you reach your goal?

13. Now that you have thought about your goal achievement plan put your plan into a useable outline. Goal Plan - Part B provides you with a format.

GOAL PLAN - PART B

STATE YOUR PRESENT POSITION:

STATE YOUR GOAL:



Action Step No. to Achieve Your Goal _____

PERSONAL BLOCKS			ENVIRONMENTAL BLOCKS		
List Blocks	List Steps to Overcoming Blocks	Comp. Date	List Blocks	List Steps to Overcoming Blocks	Comp. Date
1.1 _____	1.1.1 _____	____	1.1 _____	1.1.1 _____	____
_____	1.1.2 _____	____	_____	1.1.2 _____	____
	1.1.3 _____	____		1.1.3 _____	____
1.2 _____	1.2.1 _____	____	1.2 _____	1.2.1 _____	____
_____	1.2.2 _____	____	_____	1.2.2 _____	____
	1.2.3 _____	____		1.2.3 _____	____
1.3 _____	1.3.1 _____	____	1.3 _____	1.3.1 _____	____
_____	1.3.2 _____	____	_____	1.3.2 _____	____
	1.3.3 _____	____		1.3.3 _____	____

UNIT III: WORLD FACTORS

The unit uncovers extra-person (environmental) factors that impact on the entrepreneur and his business. These outside factors are explained in such a manner as to make the student aware of how the entrepreneur deals with them. The entrepreneur needs considerable acquaintance with these factors in order to cope with them.

Such factors as market analysis, preparation of the business plan and using finance are discussed as business skills. Several panels present important information about sources that provide assistance--financial and other. The intent is to make the student aware of his entrepreneurial world.

At the very beginning of this unit, the student is provided with a simulated experience of business through the use of a business game.

SUBUNIT: THE BUSINESS GAME

OBJECTIVE: Students experience the process of business in a simulated situation.

Recommended class time: Three hours.

- Two concurrent sessions for round 1 and 2 of The Business Game.
- One session for round 3 and a discussion of the game results.

ENABLING OBJECTIVES:

1. Students identify their own goal-setting, planning and risk-taking behavior by participating in three rounds of "The Business Game."

2. Students compare their own behavior during "The Business Game" with entrepreneurial behavior by participating in small group discussions.

RESOURCES:

Motivation Research Group. *The Business Game.* McBer and Company, 137 Newbury Street, Boston, Mass. 02116.

ADVANCE PREPARATION:

Order the following materials required for "The Business Game":

50 4" x 6" lined index cards per participant
50 5" x 8" lined index cards per participant
1 roll scotch tape per participant
It is wise to have extra cards and tape on hand.
1 "The Business Game" booklet per participant and set of instructions for the teacher. Booklets must be purchased from McBer and Company at $1.50 per copy. (See resources for address.)

Models of the products to be made during the game should be prepared ahead of time in sufficient quantity to provide one model for every two or three players. The models should be kept out of sight until each product is about to be manufactured.

NOTE TO THE INSTRUCTOR:

Read the Participant Booklet.

It is important that the instructor structure the game in a consistent manner so that variations in behavior come from the participants and are not caused by the instructor. One important aspect of structuring is the timing of the game. A suggested time sequence is:

One cycle

15 minutes	General Instructions; Room Set-up; Hand Out Materials
10 minutes	Product Orientation; Quality Control Information; Tentative Decision
2 minutes	Time Trial
5 minutes	Final Decision; Prepare for Production
5 minutes	Production Period
10 minutes	Inspection; Score Results

Repeat cycle for 2nd and 3rd product rounds starting with product orientation.

During the game, it is important to explain to the participants:

that it is not a test of dexterity; each participant should set his own level of activity;

that the maximum number of units the instructor will buy is their final estimate for the product; and

how inspection will be made.

INSTRUCTIONAL ACTIVITY:

° The Game - Class 1

Break up The Business Game booklets into three parts:

Part 1	cover through page 5 and page 15
Part 2	page 6 through 8 and page 15
Part 3	page 9 through 11 and page 15 optional pages 12 through 14

Ask the participants to read the instructions from pages 1 and 2 of their booklets.

Then show the model of the Mountain Cabin, having one model for each two or three players so that they can examine it and determine exactly how it is constructed.

Ask the participants to turn the page and read the backup information for producing the Mountain Cabin. When all participants have read this carefully and have completed the questions asked, ask each participant to assemble one Mountain Cabin to see how it is done. They they will assemble another and be timed so that they will know their assembly time required.

At this point, participants should set their final production goals and start assembling when you indicate. You should point out before production begins what your quality control points will be when the time comes for you to "inspect" their products and buy those that are satisfactory. After five minutes of production, tell the participants it is time to stop production.

You, as the buyer, will now inspect the products and determine how many you will buy. Put the participants' scores on the board after each product. A suggested format follows.

Name of Person	Mountain Cabin	Ski Lodge		Polar Shelter	
	Profit	Profit	Cumulative Profit	Profit	Cumulative Profit

You might also add columns showing the tentative decisions and final decision for each product, to demonstrate how people changed their estimates.

Name of person	Mountain Cabin			Ski Lodge			Polar Shelter		
	Est.	Goal	Profit	Est.	Goal	Profit	Est.	Goal	Profit

The game continues in this manner for three rounds, each round with a different product.

Discussion after the Polar Shelter - Round 3

Use pages 12-14 of the Business Game booklet as a guide for small group discussions. Page 14 reveals a summary of game results/behavior. You may wish to hand out this portion at the end of class.

Allow about 30 minutes for this discussion.

You may wish to use the following as an option:

Trainer Intervention

If one of the overall objectives of the training is to get participants working more effectively together (as for example if the training is being delivered to a family group) a completely different intervention might be in order here.

For that purpose, some trainers use a group option for the third round. This may be done by the following sequence:

1. Carefully calculate profits and loss by each participant through the first two rounds of the game. If a coffee break can be scheduled here, participants can be instructed to process their performance so far among themselves during the coffee break, while the trainer is making his calculations.

2. Trainer forms subgroups, by balancing profits and losses to date as closely as possible. It is usually possible to create four- or five-man subgroups (they can be as large as seven) which, when all profits and losses are summed, represent reasonably balanced teams. If one group is several thousand dollars behind the other, it is of little consequence for a group round of the game.

3. The trainer should then get the verbal commitment from the total group that his subgroups are reasonably well balanced.

4. Have the group move ahead through the standard sequence for the third round of the game, except that each subgroup tries to play the game as if an individual participant. All record the group's goals as they fill out the remaining forms.

Issues to Observe

If you use this option, issues to be alert for are:

how does the group organize itself to make the preliminary decisions--who assumes leadership and how?

how do they organize for production--assembly line, by special skill, or individually?

how do participants feel and behave during this version of the game, compared to earlier individual rounds of the game?

If you use this version for the third round, you should organize the discussion at the end of the game so as to process these issues separately from the processing of the first two rounds of the game.

SUBUNIT: MARKET ANALYSIS

OBJECTIVE: Students recognize the importance of understanding one's "market" to entrepreneurial success.

Recommended class time: Three hours.

ENABLING OBJECTIVES:

1. Students become aware of the importance of customer needs for different services and products by comparing, in a class discussion, their own reasons for choosing products.

2. Students identify questions the potential entrepreneur would need to ask about his customer by reviewing, in class, customer characteristics listed by professionals.

3. Students demonstrate an understanding of customer needs by acting as "market consultants" by a "budding" entrepreneur in a class presentation by the entrepreneur.

4. Students realize the importance of market analysis by discussion in a class, the reasons given by professionals for new product failure.

5. Students demonstrate an understanding of market analysis by analyzing steps in market research in a class discussion and by constructing an interview questionnaire, the first step in market analysis, in small groups.

RESOURCES:

A "budding" entrepreneur
Student Information Sheet 11, "Why New Products Fail"
Student Information Sheet 12, "Steps in Market Analysis"
Transparency 12, "Two Roads to Test Market"

ADVANCE PREPARATION:

For this sub unit you should invite a "budding" entrepreneur into the classroom to discuss his or her product or service in the light of its meeting customer needs. The most important attribute to look for in selecting the entrepreneur is his/her concern for his/her customers. Contact the entrepreneur several weeks in advance. It is important to send a letter explaining the course and the role he/she will play.

INSTRUCTIONAL ACTIVITIES:

- Lead the students in a discussion about the reasons they shop where they do. Put the following types of business/service/product on the chalkboard:

Gas Stations	Automobile
Restaurant	Transportation
Drug Store	Clothing
Grocery Store	Recreational Vehicle
Appliance	

Ask the students to discuss why they shop where they do for these items. Ask how the businesses where they shop meet their needs.

The following format is suggested for putting this information on the chalkboard:

Product or Service	Needs Filled: Convenience	Price	Credit	Quality	Location	Service
Gas Stations	II	IIII	I		III	
Restaurant						
Drug Store						
Grocery Store						
Appliance						
Automobile						
Transportation						
Clothing						
Recreational Vehicle						

Fill in the Needs Filled section with the student's suggestions. Only examples are given in the above format. Go over each type of business or product by asking each student which is his major consideration as a customer of the service or product. Keep a tally. In the example above two students considered convenience as the most important when selecting a gas station, six selected price, one selected credit, and three selected location.

By noting the different reasons given on such a format the students will be able to identify the "needs" in people for "patronizing" different types of services and products.

Suggested time for this discussion 30 minutes.

Ask the students to suggest questions they would need to ask about the customer.

Review customer characteristics listed by professionals:

What age group?
How much can they afford?
Are they shoppers?
Are they impulse buyers?
How mobile are they?
What level of education and thus perhaps, degree of discrimination in purchases?
Will they try new products?
Will they try new services?
Do they like the convenience of self-service? Vending machines?
Do they prefer one-stop shopping? One-location shopping?
Will they accept stock-outs?
Will they order from catalogs?
Do they require gift wrapping?
How much parking do they expect?
What hours do they prefer?
Do they expect product information?
Do they expect product training?
Do they want to return merchandise without a charge?

Suggested time for this discussion is 15-20 minutes.

- Invite an entrepreneur into the class room to discuss his or her product or service in the light of its meeting customer's needs. Encourage the entrepreneur to bring in samples of the product or service for the students to examine. Ask the entrepreneur to give a short presentation explaining the product or service, who his customers are or will be, the needs the product or service will fill, the user of the product or service, etc. The students can analyze the product or service using the needs and customer characteristics covered in the preceeding session. If the entrepreneur is receptive to the idea, the class could become "marketing consultants" for the session.

  The presentation/discussion will take about 50 minutes.

- Ask the students to suggest reasons they feel new products fail. After listing a few on the chalkboard give them Student Information Sheet 11, "Why New Products Fail." Point out that the number one reason given by major companies for new product failure was inadequate market analysis.

  Allow about 10 minutes for this discussion.

- Introduce market analysis by giving the students the following definition:

  > Market Analysis--the gathering, recording, and analyzing of all facts about problems relating to the transfer and sale of goods and services from the producer to the consumer.

  Students can now look at Student Information Sheet 12, "Steps in Market Analysis." Discuss each of the steps with the class. Compare the planned progress road with the trial and error road on Transparency 12, "Two Roads to Test Market."

  Allow about 15 minutes for this discussion.

- One of the best ways to start market analysis is to reach the consumer and ask what they want, prefer, buy and use. This is consumer interviewing, whether

by mail, telephone, or personal contact. This, however, will not be possible in this course. Instead, let the students break into small groups and develop an interview guide for a service or product idea of their choice. This would be at the concept test stage on Transparency 12, "Two Roads to Test Market."

Give the students 25-30 minutes to work on their interview guide.

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5. _____. *Management Aids.* No. 216. *Finding a New Product for Your Company.* United States Printing Office, 1974.

6. _____. *Small Marketers Aids.* No. 114. *Pleasing Your Boss, The Customer.* United States Printing Office, 1974.

7. _____. *Small Marketers Aids.* No. 120. *Building Good Customer Relations.* United States Printing Office, 1974.

8. _____. *Small Marketers Aids.* No. 128. *Building Customer Confidence in Your Service Shop.* United States Printing Office, 1974.

WHY NEW PRODUCTS FAIL*

The major reasons companies give for new-product failure, in order of frequency of mention, are:

- Inadequate market analysis
- Product defects
- Higher costs than anticipated
- Poor timing
- Competition
- Insufficient marketing effort
- Inadequate sales force
- Weakness in distribution

Most executives cited several reasons for disappointing results, averaging about three reasons each. And more than 50% mentioned the first three factors--inadequate knowledge of the market, product deficiences, and high costs--as contributing to failure.

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*The Conference Board. "The Search for Market Realism," *Market Testing Consumer Products, Experiences in Marketing Management.* No. 12. Oak Brook, Illinois: National Industrial Conference Board, Inc., 1967. Reproduced with permission from the Conference Board.

STEPS IN MARKET ANALYSIS

1. Surveillance of market development and consumer desires in order to uncover needs not being fully met by existing products or services, thereby indicating an opportunity to offer a new or improved product or service.

2. Concept listing in order to see whether the idea for a specific new or improved product or service favorably impresses the potential customer and to get a preliminary idea of volume possibilities.

3. Prototype test in order to make a concept test more concrete by using a preliminary sample or model of the product or service.

4. Product test in order to see whether the product or service embodying the concept proves satisfactory and desirable under conditions of normal use and to get a preliminary indication of repeat purchase rate possibilities.

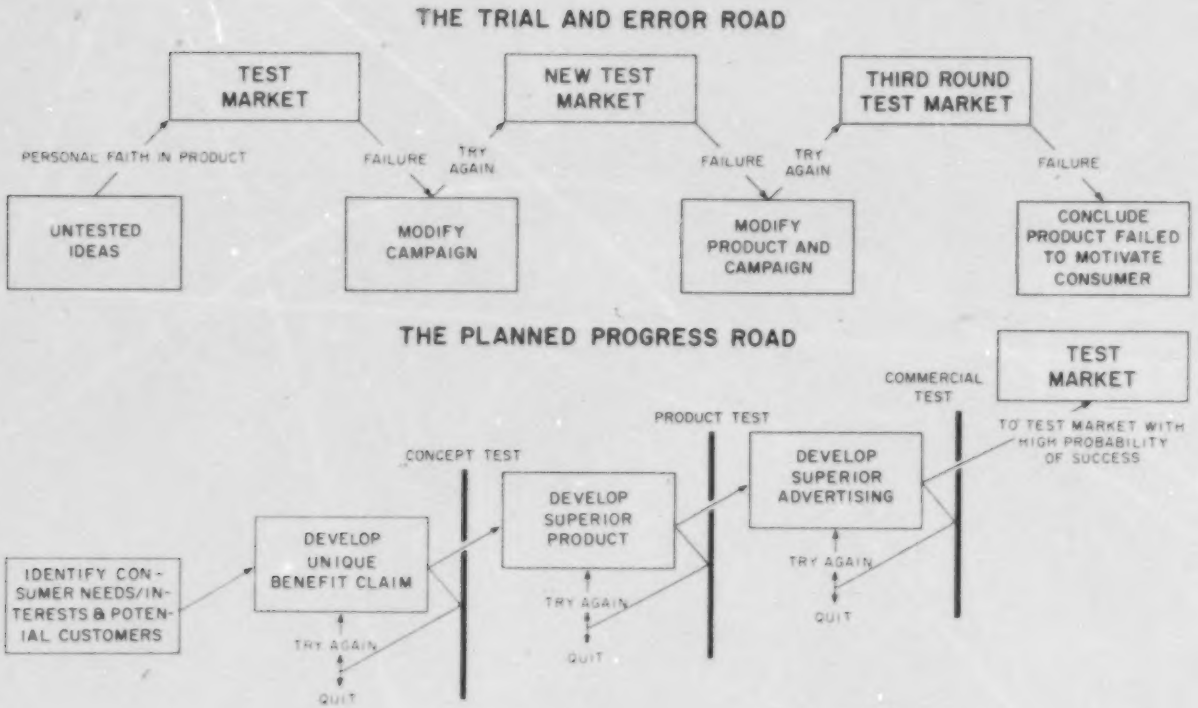
5. "Total concept" test in order to check the acceptability of the product, package, name, price, and selling strategy, and to achieve as much realism as possible short of going on sale in a store or through regular channels of distribution without controls.

6. Miniature market test to see whether and to what extent people who buy the product in a store or use the service in a normal manner, to obtain still better indications of consumer satisfaction with product and volume probabilities and to permit final modifications in product and other elements before going into full market test.

7. Market test using multiple outlets to obtain best indication of consumer satisfaction with product and volume probabilities, to correct flaws in product or in any other part of the total concept, and to decide whether to drop product or service, revise it, or place it in general distribution.

Market analysis may involve some or all of these steps.

TWO ROADS TO TEST MARKET[1]



[1]Reproduced with permission from the Conference Board. Market Testing Consumer Products, Experiences in Marketing Management, No. 12. Oak Brook, Illinois: National Industrial Conference Board, Inc., 1967.

SUBUNIT: BREAK-EVEN ANALYSIS

OBJECTIVE: Students identify business costs, compute the break-even point, and use it to determine business risk.

Estimated class time: Two hours.

ENABLING OBJECTIVES:

1. Students analyze business expense by identifying costs and labeling these costs fixed or variable.

2. Students develop an understanding of the break-even point and its importance by reviewing the break-even points and discussing strategies for the Titan Manufacturing Company--a hypothetical firm.

3. Students determine the business risk involved in a business by calculating the break-even points for a hypothetical start-up service business.

RESOURCES:

Teacher Information Sheet 9, "Break-Even Analysis"
Teacher Information Sheet 10, "Some Typical Monthly Costs for a Hypothetical Start Up Service Business"

INSTRUCTIONAL ACTIVITIES:

° Have the class describe what the costs of a service business are. Do this by asking the class, "What are the costs of a business?" List the costs described by the students on the board. Help the discussion so the students consider the costs listed below:

Office space/Rent	F
Secretarial service	F
Accounting/bookkeeping	F
Legal	F
Advertising	F
Donations	F
Dues & Subscriptions	F
Insurance (officers)	F
Interest	F
Office supplies	F
Postage	F
Travel/entertainment	F
Telephone	F
Taxes	F
Executive salaries	F
Direct Labor	V
Employee benefits	V
Utilities	F

Continue the discussion of costs by asking: What additional costs are associated with manufacturing businesses? Help the discussion so the students consider the costs listed below:

Materials	V
Depreciation (of equipment)	F
Production supplies	V
Maintenance and repair	V
Utilities (additional)	V
Freight	V

Explain to the class the terms "fixed" and "variable."

Fixed costs do not vary with the level of business activity. Examples include administrative/executive salaries, property insurance, etc.

Variable costs vary directly with the volume activity. Direct labor and materials are examples. They double if production doubles and drop to zero if production is zero.

Then have the student classify the above expenses as Fixed or Variable. Label them with "F" or "V" on the chalkboard.

This takes about 20 minutes.

Next, discuss the break-even point with the class. The break-even point is the no-profit, no-loss position where sales revenues exactly cover costs (fixed and variable).

Explain how the break-even point may be calculated. A very simple explanation together with graphs is available from the SBA publication, *A Handbook of Small Business Finance*, pp. 31-36. Simple calculations are provided for a hypothetical firm, The Titan Manufacturing Company. The use of this narrative, reproduced here as Teacher Information Sheet 9, "Break-Even Analysis" is strong recommended.

This discussion may take about 30 minutes.

- In the next session, have the students calculate the break-even points with varying costs from the figures for a sample start up business provided in Teacher Information Sheet 10, "Some Typical Monthly Costs for a Start Up Service," or they may wish to develop specific items and costs for a hypothetical or projected business of their own choice and calculate the break-even points. Some may wish to choose a service business, others construction, yet others manufacturing.

  This activity will need 35-40 minutes.

- Next, discuss the following points about break-even analysis.

  1. The larger the loss area the greater the down side risk.
  2. The larger the profit area the greater the up side potential or the opportunity.
  3. The larger the fixed costs, the higher the risk (increases loss area).
  4. The larger proportion of variable costs the higher the risk (increases loss area and decreases profit area).
  5. In summary - the break-even point measures the risk of the new business venture.

- Finally, raise the question, "What does this all mean?" or; "How can we use the above information?" and discuss some strategies in starting up a business:

  1. Phase in fixed costs if possible. Do not gear up in the beginning to do $50,000 in business per month. Only let the fixed costs grow as the business can afford it. In exhibits A and B the fixed costs are the same at all levels of the business. Do without some of the expenses in the beginning. Example: start in your home or in someone elses unused facilities.
  2. Do not convert variable costs to fixed costs by hiring staff before sales. Contract for early production if necessary.
  3. Reduced losses in the beginning decrease investment and therefore conserve equity for the entrepreneur.

The above strategies are important in reducing risk and investment. Add to the above list of strategies.

This activity takes 10 minutes.

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1. Small Business Administration. *Small Business Management Series.* No. 15, *A Handbook of Small Business Finance.* U.S. Printing Office.

BREAK-EVEN ANALYSIS*

Operating profits are the bread and butter of your business. They depend upon volume and selling price on the one hand, and costs on the other. A financial manager must have some way of analyzing these factors and their probable effect on profits. One management tool that serves this purpose is break-even analysis.

Three Types of Costs

Costs can be classified as fixed, variable, or semivariable. *Fixed costs* do not vary with the level of business activity. Examples of these costs are indirect labor, property insurance, property taxes, depreciation allowances, executive salaires, and so on. *Variable costs* vary directly with the volume of business activity. They tend to double, for instance, if production is doubled, or drop to zero if there is no production. Direct labor and materials are examples of variable costs.

Semivariable costs chance with the level of business activity, but not in direct proportion. Office equipment might be an example, or foremen's salaries. Up to a point, such costs are about the same regardless of the level of output. Beyond that point, they go up. A foreman, for instance, might be able to supervise a few more workmen without too much difficulty. But suppose output is increased still more and the work force becomes too large for him to handle. An assistant or a second foreman will then have to be hired, and the cost will rise.

Most semivariable costs can be broken down into their fixed and variable elements.

Break-Even Analysis

A good tool for analyzing the effect on profits of different costs, operating conditions, methods of pricing, and other management policies is the break-even technique. The "break-even point" is the point of sales volume at which sales revenues just cover costs, with no profit and no loss.

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*Small Business Administration. *Small Business Management Series.* No. 15, *A Handbook of Small Business Finance.* U.S. Printing Office, pp. 31-36.

Break-even analysis can show at what approximate level of sales a new product will pay for itself and begin to bring in a profit. It is also helpful in analyzing the profitability of products already being sold. Suppose you have a product that has passed its peak of popularity. It is still fairly profitable, but the demand for it is slacking off. Break-even analysis can show you about how far sales can drop before the item will stop making any profit at all, and below what level it will no longer cover even its fixed costs.

Break-even analysis can also provide guidance in management decisions through series of analyses based on varying assumptions about costs and other factors. It helps to answer questions like these (the list is by no means complete):

"How many units of the new product will have to be sold, given estimates of its cost and selling price, if we are to break even?"

"The change we are planning will mean a 10-percent increase in fixed costs. What effect will this have on profits?"

"What will be the effect of a 5-percent reduction in selling price (or a 15-percent decline in the number of units sold)?"

"How much more will we have to sell to make up for a 15-cent hourly increase in wages?"

"If we buy the new machine we are considering (or truck, or building improvement), how long will it be before the investment pays for itself and begins to return a profit?"

Formula for Finding the Break-Even Point

Once all costs have been identified and classified as fixed or variable, the break-even point can be found by using the following formula:

$$\text{Break-even volume} = \frac{\text{total fixed costs}}{\text{selling price--variable cost per unit}}.$$

Suppose the Titan Manufacturing Company[1] has figured the costs for one of its products as follows: total fixed costs, $100,000; variable costs, $50 per unit. The selling price for the item is $100 per unit. This means that $50

[1]Not a real company.

per unit sold can be applied toward fixed costs. With fixed costs of $100,000, therefore, 2,000 units will have to be sold before any profit will be realized. From that point on--that is, after fixed costs are recovered--the $50 per unit sold will be profit.

This break-even point of 2,000 units is obtained by using the Titan figures in the formula given above:

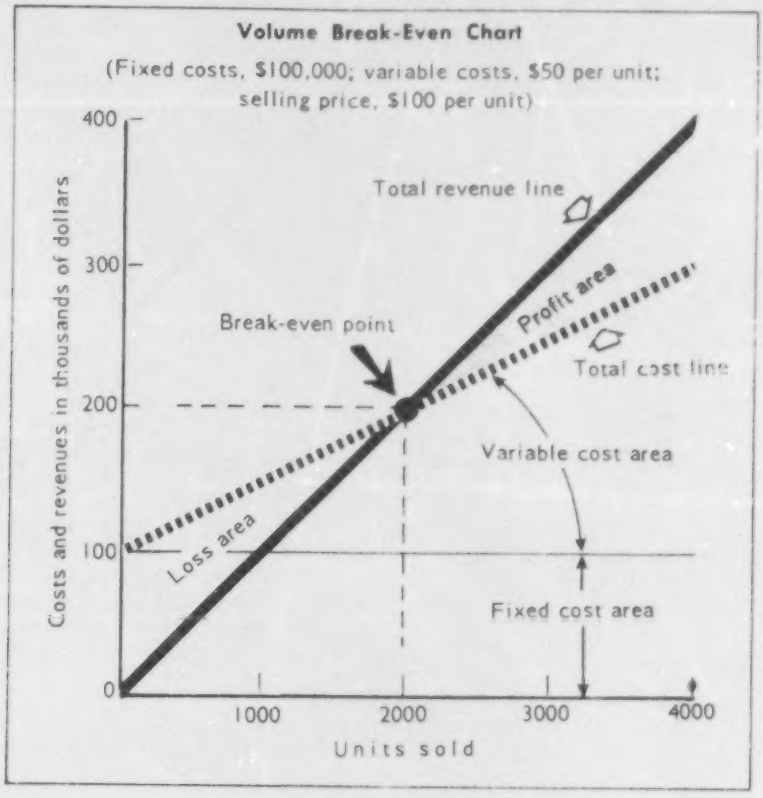
$$\text{Break-even volume} = \frac{\$100{,}000}{\$100-\$50} = 2{,}000.$$

Break-Even Charts

Figuring the break-even point by means of this formula has the advantage of simplicity. Break-even charts, however, give a broader, "moving" picture of business activity. They, too, show the specific break-even point, but they also show the amount of profit or loss for other levels of sales.

An example. Exhibit 12 shows a break-even chart for the Titan Company. Sales volume, in units, has been plotted on the horizontal axis; costs and

Exhibit 12



revenues on the vertical axis. (For some purposes, it may be more useful to plot time on the horizontal axis instead of sales volume.)

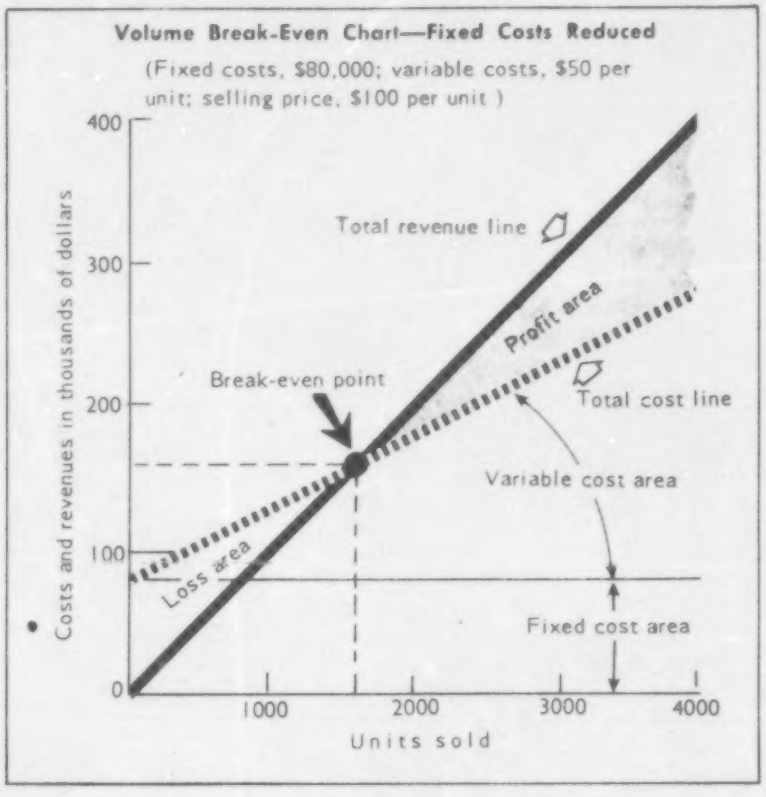
Take, again, Titan's fixed costs of $100,000, variable costs of $50 per unit, and selling price of $100 per unit. Total operating revenues will equal the number of units sold times $100. Total costs equal fixed costs of $100,000 plus the number of units sold times $50.

Fixed costs appear on the chart as the horizontal line. Total cost and total operating revenues appear as the two sloping lines; and the point at which they intersect is the break-even point--2,000 units. This indicates that Titan must sell 2,000 units just to offset its total operating costs. If more than 2,000 units are sold, the business will make a profit. If fewer than 2,000 are sold, the company will suffer losses.

This figure checks with the one resulting from use of the formula. However, the chart gives additional information. The distance between the two sloping lines at any point shows the amount of profit or loss that can be expected at the sales volume represented by that point.

Changes in the break-even point. In the above illustration, profits depend solely on sales volume. It was assumed that the selling price would

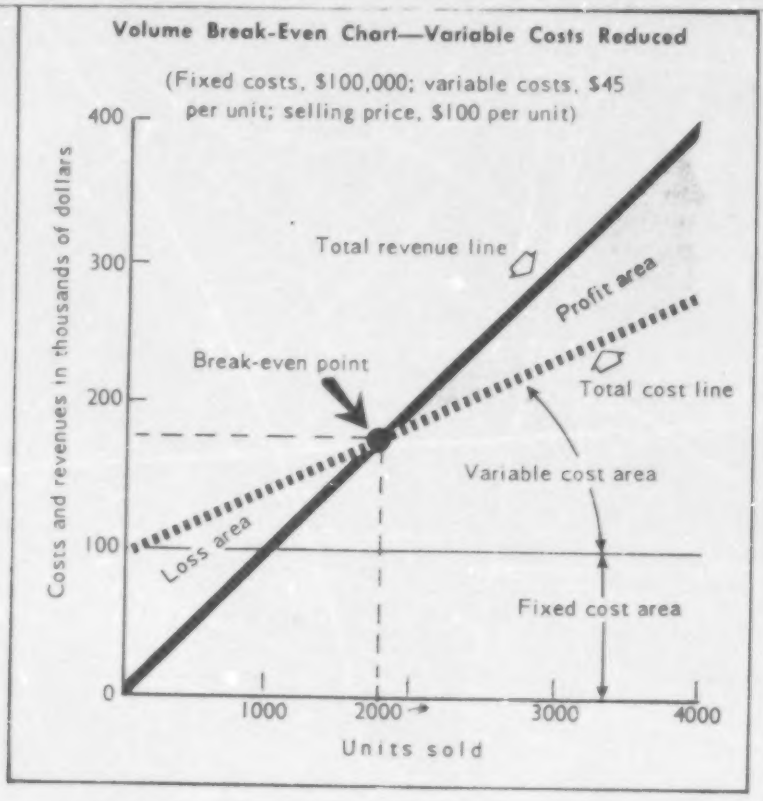
Exhibit 13



remain at $100 and that the cost pattern would not change. But suppose the company could reduce its fixed costs from $100,000 to $80,000. Exhibit 13 shows what the effect of this change would be. The horizontal line representing fixed costs is lowered, and the sloping line representing total costs comes down with it. This moves the intersection of the two sloping lines down and to the left. The break-even point is now seen to be 1,600 instead of 2,000 units.

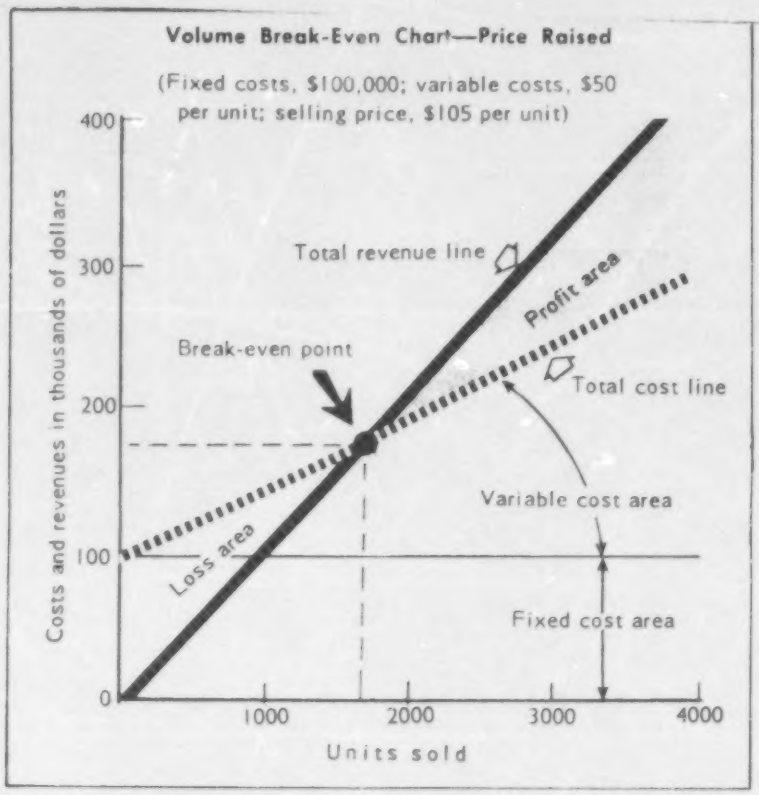
Changes in variable costs would also affect the company's profit picture. If Titan could reduce its variable costs from $50 to $45 per unit, the break-even point would drop from 2,000 units to 1,800. This is seen in Exhibit 14. The change in variable costs shows up as a change in the slope of the line representing total costs, which rise less rapidly with lower variable cost per unit.

Exhibit 14



Another change that would affect the break-even volume is a raising or lowering of the price. Increasing the price from $100 to $105, for instance, would reduce the break-even point to approximately 1,800 units. Exhibit 15 shows how the price increase changes the slope of the revenue line, which, in turn, lowers the break-even point.

Exhibit 15



Application of break-even analysis. In the illustrations discussed above, the various factors in break-even volume--sales volume, fixed costs, variable costs, and selling price--have been analyzed one at a time. In practice, these variables usually change simultaneously. This, of course, makes the analysis somewhat more complicated than it appears here.

To use break-even analysis, it is necessary to analyze carefully the various costs of doing business. Estimates can be used, however, for cost items that cannot be precisely identified as fixed or variable. Accuracy is necessary only to a point that permits you to reach sound conclusions.

SOME TYPICAL MONTHLY COSTS FOR A HYPOTHETICAL START UP SERVICE BUSINESS

Fixed Expenses

Office space (900-2400 sq. ft.)	$ 400
Accounting (quarterly statements, tax returns)	50
Telephone/answering service	125
Secretarial service (half time)	250
Furniture - lease (no or little cash down)	225
Office Supplies	10
Dues and subscriptions	10
Executive salary	750
Travel/entertainment	150
Insurance (for the Keyman)	100
Advertising	150
Postage	20
	$2230

Variable Expenses (assume professional labor)

Direct labor	$ 750
Employee benefits (20%)	150
	$ 900

NOTE: A most common error of those starting business is to "forget" most of the costs--usually the fixed expenses. The above example is for a very modest, one plus person office and the costs are three times the manager's salary!

SUBUNIT: CASH FLOW

OBJECTIVE: Students increase their awareness of the financial needs of a business.

Estimated class time: One hour.

ENABLING OBJECTIVES:

1. Students describe cash needs for a new business by identifying costs for organizing a business, purchasing equipment or inventory, and operating a hypothetical business in a class discussion.

2. Students analyze the financial needs of a new business by analyzing the cash flow of a hypthetical business in a group discussion.

RESOURCES:

Teacher Information Sheet 11, "Sample Cash Needs"
Teacher Information Sheet 12, "Cash Flow of a Hypothetical Business"

INSTRUCTIONAL ACTIVITIES:

- Begin the session by having a short discussion introducing the financial needs of a business. You may want to project the following questions on a transparency.

  How much money do I need?
  When will I need it?
  Will I need additional money?
  If I borrow it, can I repay it?
  Where can I get it?
  How much will it cost?

  Sum up their comments by indicating that the next two sub units will deal with these questions.

  Introduce cash flow as the first step in determining the financial needs of a business. Ask the students, "Why would they need money?" Their answers should fall in the following categories:

  1. Costs to organize a business--before opening the door.
  2. Purchases of equipment, inventory (materials, products) to start business.
  3. Cash required to operate the business.

The rest of the discussion should center around identifying specific costs in these three (3) categories in the following manner:

List on the chalkboard items for which organization costs may be incurred. Examples are:

Legal (incorporation, agreements, etc.*)
Accounting
Advertising
Travel
Printing
Office supplies
Office space (three months' rent)
Telephone/utilities security deposits
Lease - advance payments

*some may be deferred

Set a dollar figure for this organization costs. Refer to Teacher Information Sheet 11, "Sample Cash Needs" for an example.

Then, after totaling these costs, spread these organization costs over a period of time--the way they would be expected to occur in a hypothetical business. In the example on Teacher Information Sheet 12, "Cash Flow of a Hypothetical Business," these costs are spread out over a three-month period--April, May, and June. It may be helpful to remind the students these are "start up costs"--they haven't opened the doors yet.

Next, have the students consider if the hypothetical business example requires any purchase of equipment or must they have an inventory. Have them name some of these costs and tell how they would occur. See Teacher Information Sheet 11, "Sample Cash Needs," for some examples. List these costs on the board too.

Finally, ask the students to develop the fixed and variable costs for operating the business.

This activity takes 25 minutes.

Now that students have identified cash needs, they are ready to begin to answer questions that were raised at the start of the session.

Now distribute a cash flow statement to the students (see Teacher Information Sheet 12, "Cash Flow of a Hypothetical Business." Briefly point out the expenses and ask students which month they start to bring in revenue. Then have them look at the monthly cash flow. This cash flow is simply the business' expenses and revenue spread over the months in which they occur. Ask the students at which month does the business begin to make money. Explain the cumulative cash flow.

Sum up this activity by pointing out that by closely watching your cash flow, you can answer those questions raised earlier:

How much money do I need?
When do I need it?
How long do I need it?

Time for this activity is about 10 minutes.

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1. Small Business Administration. *Management Aids for Small Manufacturers.* No. 174. *Is Your Cash Supply Adequate?* Washington: United States Government Printing Office, 1965.

2. _____. *Small Business Management Series.* No. 15. *A Handbook of Small Business Finance.* Washington: United States Government Printing Office, 1965.

3. _____. *Small Business Research Series.* No. 1. *Cash Planning in Small Manufacturing Companies.* Washington: United States Government Printing Office, 1960.

SAMPLE CASH NEEDS

For Professional Service Organization

A. Organization costs

Legal (incorporation, agreements, etc.)*	$ 500
Accounting	250
Advertising	500
Travel	375
Printing	500
Office Supplies	100
Office space (three months' rent)	1200
Telephone/utilities security deposits	100
Lease - advance payments	250
	$3775

Let's assume they occur as follows:

April	May	June
500	2425	850

*some may be deferred

B. Purchases of equipment, inventory

Here are some examples in these areas:

1. Manufacturing
   Raw materials

2. Manufacturing Equipment
   a. buy with cash
   b. installment purchase (25% down)
   c. lease

3. Distribution
   Initial inventory goods

C. Cash to operate the business[1]

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[1]See Teacher Information Sheet 10, "Some Typical Monthly Costs for a Hypothetical Start Up Service Business" from Break-Even Analysis.

CASH FLOW OF A HYPOTHETICAL BUSINESS

	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Expenses									
- Organizational	500	2,425	850						
- Fixed			2,280	2,330	2,380	2,615	2,640	2,740	2,800
- Variable[1]			3,000	4,500	7,500	9,000	12,000	13,500	13,500
Total Monthly Expense	500	2,425	6,130	6,830	9,880	11,615	14,640	16,240	16,300
Revenue[2]					8,750	8,750	17,500	17,500	26,250
Net Monthly Cash Flow	(500)	(2,425)	(6,130)	(6,830)	(1,130)	(2,865)	2,860	1,260	9,950
Cumulative Cash Flow	(500)	(2,925)	(9,055)	(15,885)	(17,015)	(19,880)	(17,020)	(15,760)	(5,810)

[1]Assumes hiring five personnel in June, and an additional five in August and October. Monthly expense per man is $900. (When hiring individuals they are spread out over the month and work an average of 20 days.)

[2]Based on billing rate of $1,750 per man month.

Teacher Information Sheet - 9
Cash Flow

SUBUNIT: FINANCING

OBJECTIVE: Students increase their awareness of finance and the types of financial assistance offered by various agencies connected with the promotion of small businesses.

Recommended class time: Two hours

ENABLING OBJECTIVES:

1. Students are introduced to money concepts by participating in a class discussion of the origin of money and our capitalistic system of economics.

2. Students develop an understanding of types of finance by discussing examples of these types of finances, defining the terms, and by discussing the risk involved in the different types of financing in a class discussion.

3. Students explore opportunities for acquiring capital from various sources: customers, suppliers, personal capital, and banks by participating in a group discussion.

4. Students increase their awareness of financial resources by participating in a discussion with various agency representatives.

RESOURCES:

Student Information Sheet 14, "Sources of Borrowed Capital"
Student Information Sheet 15, "Sources of Equity Capital"
Student Information Sheet 16, "Types of Financing"
Instructor selected agency representatives

ADVANCE PREPARATION:

For the first session, you may want to review some material on finance in addition to those provided in this sub unit.

In preparing for the second session, select three or four business finance people. Line them up about three weeks in advance. Send a letter and telephone them to confirm the date and time of the session. It is helpful to send each agency representative a copy of the sub unit so he can plan his talk accordingly.

The purpose of the panel is to create awareness in the students about financial assistance and its various sources to someone who is starting a new business.

There are many institutions to choose from--you may want to review Student Information Sheets 14, 15, and 16, "Sources of Borrowed Capital," "Source of Equity Capital," and "Types of Financing." Choose at least three different financial institutions.

INSTRUCTIONAL ACTIVITIES:

- Take a few moments to explain the origin of money. This helps the student have a better perspective about finance.

  Explain "barter" and ask the students the advantage and disadvantage of barter. What happened when you couldn't barter? Explain supply and demand. The value of money changes dramatically in terms of what it will buy and the "interest" rate that must be paid to rent it. Discuss this point.

  Give a short introduction to money sources by briefly explaining money concepts in our capitalistic system of economics. Our capitalistic system of economics follows a process whereby public, private, and institutional capital sources provide businesses with money in exchange for equity or interest.

  You might want to review chapters 14 and 15 of *Up Your Own Organization* by Dible.

  Time for this activity is 15 minutes.

- In financing any business it is important to discuss the advantages and disadvantages of debt and equity capital. Ask the students to distinguish between debt and equity capital by describing loans.

  Loans: Borrowing money from banks, other financial institutions or individuals.

  When you use equity financing you are selling part of the ownership of your business to someone else, by taking in a partner or by selling stock.

  Have the students discuss sources of equity capital and borrowed capital with the help of Student Information Sheets 14, 15, and 16.

  Sum up the advantages and disadvantages of debt (borrowed) Capital vs. Equity Capital by discussing the following:

Equity Capital vs. Borrowed Capital

Borrowed Capital: When a businessman is able to put up half or more of the total funds required, he will generally seek to borrow the remainder from one of the sources listed later. A lender does not have the control over the business' affairs that the investor does--although the loan contract may stipulate certain conditions that the borrower must observe.

Equity Capital: When a businessman can provide less than half the total funds needed to start his business, he will usually have to turn to equity financing. The provider of the equity capital will generally expect to have control over certain aspects of the business operation--expenditures, salaries, acquisition of fixed assets, etc.

Time for this activity is 10 minutes.

- Two sources for money have been discussed. There are two more: Trade Credit and Profit to consider. Define these terms briefly in class:

Trade Credit: Purchasing merchandise, supplies and equipment on credit extended by suppliers. The largest portion of small business financing comes from trade sources.

Business Profits: Reinvestment in the business from profits.

Time for this activity is 15 minutes.

- Next discuss the element of risk in financing.

Risk

Some degree of risk is involved for the person financing a business regardless of the money source. For an existing business, generating greater profits from which to reinvest in the business involves a minimum of risk; only the businessman and his business are involved.

The risk factor increases when one person asks another to "trust" him for the money. Trust--often backed up by something of value--constitutes

credit. That "something of value" is security or collateral that the lender takes possession of should the borrower fail to pay back the loan. Credit is the basis for trade credit and loans.

Most risky of all for a lender or investor is equity financing. The only security is a voice in the business and a piece of paper to certify that voice.

Initial financing for small businesses runs from relatively low risk (virtually 100% chance of complete payback) to extremely high risk. (This might be one chance in ten that the business will take off--like an oil well for example. If you hit that one good chance, the business is like to pay off substantially.)

Lenders and investors generally specialize in a particular degree of risk, depending on their source of funds. The degree of risk also determines the length of time, or term, of the loan as well as the interest rates charged for the use of the money.

There are four levels of risk. Use Student Information Sheet 14, "Sources of Borrowed Capital" to discuss each level in relation to interest rates, term of financing, and type of financing offered.

Time for this activity is 15 minutes.

For the remainder of the class period discuss strategies for getting capital for a start up business. Begin by naming the ways to get money:

> The first source of capital should be yourself--your own money or improving what you already have. A second is borrowing money from someone. A third way is sharing business ownership with someone else.

In the discussion stress that by carefully watching the cash flow the entrepreneur knows how much money he needs and when he needs it. Also emphasize that by careful selection of customers, and planning with suppliers the entrepreneur can often finance

his business without borrowing heavily. Here are some areas to consider in discussing financing strategies for small business:

Customers - prepay, furnish materials, etc.

Suppliers - trade credit

Personal capital/guarantee to personal loans

Bank - accounts receivable/inventory
- equipment

Time for this activity is 15 minutes.

Have students review Student Information Sheet 16, "Types of Financing." Be prepared to answer any questions students should bring this to the next session when they will meet with agency representatives.

- Briefly introduce the session by explaining the purpose of the panel discussion. Then introduce the panel of three or four individuals and name their organizations for the group. At this time, you may want to give directions for the panel. Ask students to take out their Student Information Sheet 16, "Types of Financing."

This introduction will take 10 minutes.

- Next, assign students to three groups. Have each agency representative meet with one group for about 10-12 minutes so that the students can ask questions.

Have the agency representative change groups every 10-12 minutes until all students have had a chance to question all the speakers.

Time for this activity is approximately 40 minutes.

At the end of the session, reassemble the class and thank the guests.

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2. Small Business Administraion. *A Handbook of Small Business Finance.* No. 15. *Small Business Management Series.* Washington: U.S. Government Printing Office.

3. _____. *Managing for Profits.* Washington: U.S. Government Printing Office.

4. _____. *Starting and Managing a Small Business of Your Own.* Vol. 1. *The Starting and Managing Series.* Washington: U.S. Government Printing Office.

SOURCES OF BORROWED CAPITAL*

RISK, INTEREST RATES & TERMS	SOURCE OF FINANCING	DESCRIPTION	HOW FUNDS ARE SUPPLIED
Relatively high risk and interest rates for short terms	PERSONAL FINANCE COMPANIES	Companies that make small loans, mainly to individuals. They will take risks and accept types of collateral that banks and insurance companies will not.	Short-term instalment loans (three months to three years). Can be: Secured instalment loans (18) or Other instalment loans (21)
Moderate risk and interest rates for short terms	COMMERCIAL FINANCE COMPANIES	Companies in the business of buying other businesses' accounts receivable (at a discount) and making collections on them.	Provide money, generally to retailers, for: Inventory (14) Equipment (6) Fixtures. Also will provide Factoring (8) and Accounts Receivable Financing (1) and make Commercial Loans (3).
	TRADE SOURCES: INVENTORY & EQUIPMENT SUPPLIERS	Since their customers' success contributes to their own, trade sources allow small businesses to buy inventory on credit, or equipment on instalment. Manufacturers may lend money to individuals or groups to establish themselves as dealers for the manufacturers' products--or to finance expansion.	Short-term financing in the form of: Instalment Purchase Plans (12) Trade Credit (20)
	LEASING COMPANIES	Companies that lease buildings and equipment at a fixed rental so reducing the businessman's initial capital requirements.	Equipment Leasing (7)

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RISK, INTEREST RATES & TERMS	SOURCE OF FINANCING	DESCRIPTION	HOW FUNDS ARE SUPPLIED
Moderate to low risk and interest rates for long terms	SMALL BUSINESS ADMINISTRATION	The Federal agency that administers the revolving fund from Congress (release of which is controlled by the Bureau of the Budget) to assist small businesses. Established primarily to fill the financial gap between the customary short-term loan to business and the long-term requirements of the small businessman. Only provides funds to businesses that cannot obtain commercial financing.	Will make "direct" loans to small businesses or "indirect" loans in participation with private lending institutions. (22)
Low risk, low interest rates mainly for short terms, but some long terms.	BANKS	Derive loanable funds from deposits. Lending is controlled by bank's own policies and by government regulations. (Most money available to small business comes from banks. Either the businessman gets direct financing from a bank or he borrows from finance companies, inventory and equipment suppliers, etc. who get their money from a bank. The further away the businessman gets from a bank--the original source--for his financing, the more he will pay for the money.)	Commercial Loans (3); Term Loans (19) Professional Term Loans (19) Instalment Loans (12) Bank Credit Cards (2) Equipment Financing and Leasing (6 & 7) Real Estate Loans (17) Inventory Distribution Financing (13) Accounts Receivable Financing (1) Factoring (8) Secured Loans (18) and unsecured or "Other" Loans (21) Commodity Loans (4) Flooring (9) Indirect Collection Financing (11) Passbook Loans (15)

RISK, INTEREST RATES & TERMS	SOURCE OF FINANCING	DESCRIPTION	HOW FUNDS ARE SUPPLIED
Low risk, low interest rates mainly for short terms, but some long terms (continued).	LIFE INSURANCE COMPANIES	Use premiums to invest in low-risk business ventures	Long-term, low-interest loans to insurance policy-holders (18).
	SAVINGS & LOAN COMPANIES	Member-owned savings associations whose funds can be used for purchase of homes and real estate. Regulated by the State and/or Federal government.	Refinance home mortgages to obtain business equity capital (17) Make real estate improvement loans (10)

SOURCES OF EQUITY CAPITAL*

INVESTOR	DESCRIPTION	HOW FUNDS ARE SUPPLIED
Owner of a Single Proprietorship	The owner of a single proprietorship is the person with exclusive rights to the assets of the business.	Savings, securities, real estate, personal property or funds supplied by friends and relatives
Partner in a Partnership	A person who shares ownership and liabilities of the business with one or more other persons.	Sometimes a businessman with experience and skill, but with inadequate funds, will take on a partner who can provide the necessary financial backing.
Stockholders of a Corporation	People who share the ownership of a corporation by holding stock.	Sale of stock in the company to friends, relatives, stockbrokers or corporations looking for investments.
Small Business Investment Companies (SBICs and MESBICs)	Companies licensed by the Small Business Administration to provide equity capital and make long-term loans. Minority enterprise small business investment companies (MESBICs) specialize in lending to minority-owned businesses.	The SBIC will: a) Provide equity financing b) Buy stock outright c) Buy convertible debentures (5) (Also will make long-term--five to 20 year--loans and guarantee bank loans)
Venture Capital Groups	Associations of investors who pool funds to invest in promising businesses needing equity capital.	a) Buy stock outright b) Buy convertible debentures (5)
Development Corporations (Local and Business)	Associations of private businesses and citizens formed to promote business ownership, jobs and income in their community. Can be operated with privately or publicly subscribed funds. Sometimes owned by a trade or industry group to support a small corporation providing necessary products or services.	Provide equity financing. (They will also make long-term--five to 20 year--loans and guarantee bank loans.)

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TYPES OF FINANCING*

1. Accounts Receivable Financing: The small businessman obtains funds on the strength of the assets represented by his accounts receivable.

2. Bank credit cards: BankAmericard allows a retail merchant to offer credit without using his own capital and with no credit risks.

3. Commercial Loans: The most widely used business purpose loans; secured or unsecured. Meet seasonal or short-term money needs, usually 90 to 180 days.

4. Commodity Loans: Loans made to manufacturers and wholesalers for the purchase of inventory consisting of readily marketable, non-perishable staples. (See Inventory Financing.)

5. Convertible Debentures: Unsecured debts incurred by a corporations, convertible into the common stock of the corporation at agreed upon terms.

6. Equipment Financing: Obtaining a loan using equipment as collateral. Can also mean obtaining financing to buy equipment.

7. Equipment Leasing: Acquiring the use of equipment for negotiated periods of time and rental.

8. Factoring: Selling accounts receivable at a discount to a factor or factoring department of a bank which, in turn, takes care of collections.

9. Flooring: A line of credit to finance the inventory needs of a retailer of "large ticket" items such as autos or refrigerators. Retailer has possession of items although lender has legal ownership.

10. Improvement Loans: A loan made to finance improvements to property, thereby increasing its value.

11. Indirect Collection Financing: Available to firms that generate a large volume of sales contracts and prefer to retain the control and collection function of these accounts.

12. Installment Loans (Timeplan): A consumer loan to be repaid in installments over the term of the loan.

13. Inventory Distribution Financing: Financing to allow a manufacturer to distribute inventories to his customers at a time and in quantities most favorable to his production capacity.

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14. Inventory Financing: Using inventory as collateral for a loan. Also financing to buy inventory.

15. Passbook Loans: Loans made to individuals or companies using savings on deposit as security. Savings continue to earn interest, partly offsetting interest paid on loan.

16. Professional Term Loans: Equipment financing and capital loans available to dentists, physicians and veterinarians.

17. Real Estate Loans: Loans secured by real estate for any reason including the acquisition of additional real estate, construction of buildings or other business purposes.

18. Secured Loans: The lender's risk is reduced by the borrower pledging something of value (collateral) as security that the loan will be repaid.

19. Term Loans: Secured or unsecured, with terms up to five years. Repayment made in periodic installments, often supported by a business loan agreement.

20. Trade Credit: 30, 60, or 90 day terms for payment of merchandise. Sometimes there is a discount for prompt payment. No interest is charged if payment is made in the agreed time period.

21. "Other" Loans: Loans made with no specific property pledged as security or collateral; borrower's honor and financial strength and business potential are security.

22. Small Business Administration Loans:

    Bank Participation Loans: The Small Business Administration advances up to 75% of total funds required or $150,000 (whichever is less) with a bank putting up the remaining 25% of the loan.

    Direct Loans: When the Bureau of the Budget releases funds, the Small Business Administration can lend up to $100,000 directly to a small businessman.

    Displaced Business Loans: Loans to businesses displaced by federally-funded programs such as urban renewal. Loans cannot be for more than 133% of the value of business displaced or $350,000 (whichever is less).

    Economic Opportunity Loans: Loans made available to handicapped and minority group businessmen for purposes of establishing a business.

    Guaranteed Loans: Provide guarantees for up to 90% or $350,000 (whichever is smaller) on all bank commercial loans at lenders' standard rates of interest.

SUBUNIT: THE BUSINESS PLAN

OBJECTIVE: Students realize the importance of a business plan in the success of a new business.

Recommended class time: Two hours.

ENABLING OBJECTIVES:

1. Students define the business plan, compare its importance with goal planning, and describe its importance by participating in a class discussion.

2. Students relate the importance of a business plan to an entrepreneur by comparing what the entrepreneur needs to know before starting a business with the items of the business plan indicated on a transparency.

3. Students demonstrate an understanding of developing a business plan by completing instructor selected planning items for a hypothetical business according to instructor criteria in small groups.

RESOURCES:

Overhead projector
Transparency 13, "The Business Plan"
Student Workbook: SBA Workbooks

ADVANCE PREPARATION:

Order workbooks from your local SBA representative. Business plan workbooks are published for the following businesses: small service firms, small manufacturers, small construction firms, and retailers. Ordering information is in the Bibliography.

Special considerations must be given to the needs, interests, and expertise of your students in deciding the amount of detail in the development of business plan items. You may want the students to select one of these workbooks based on their interest and work on one or two sections in the workbook. Some of your students may wish to complete the entire workbook. Also, given the students' background you may wish to assign one business for the whole class. Consider all these options well before the sessions.

INSTRUCTIONAL ACTIVITIES:

° Initiate the discussion by asking the class, "What is a Business Plan?"

In a business plan the individual visualizes and concretizes what he hopes to achieve by his business and tells how and when he will achieve it.

As an alternative, you may want to introduce the concept of the business plan by showing the film, "The Business Plan."

Time for this activity is 15 minutes.

Next, ask the students, "Why do you need a business plan?" Answers should fall in the following categories:

It is a map of "how to."

It is required by lenders of money.

It is an evaluation, i.e., indicating strengths and weaknesses of business and cash needs.

Basically . . . "is the risk worth the dollar investment?"

Planning ahead of time for one's own business is important for its success.

Ask the students, "What does the entrepreneur need to know before starting a business?" Write their comments on the chalkboard. Their comments should fall in the areas covered by the following questions:

What will my business be?

What will I sell?

Where will my market be?

Who will buy?

Who will be my competition?

What will be my sales strategy?

What type of ownership will be utilized?

How will the product be produced?

How much money will be needed to operate my firm? What are the best sources?

How will I get the work done?

What management controls will be needed?

When should I revise this plan?

Where will I go for help?

Next, project the Transparency 13, "Business Plan" on the overhead. As you briefly summarize the business plan, cover items 1 through 12 on the pie figure by circling or checking items on the chalkboard that match the items in the pie.

End the discussion by indicating that the entrepreneur takes action on some items earlier than others. For example, item two, selecting the product comes very, very early while item ten would occur later.

Time for this activity is 20 minutes.

- First, name the business or businesses that are to be considered by the students for developing a business plan. Then, select several items--preferably between one and eight as these are more entrepreneurial in function--and assign these to small groups of students (two or three) and have them try to construct a plan for that item.

This activity requires 15 minutes.

- In the next session, distribute the appropriate SBA workbooks and have the students meet in small groups to complete the assigned items.

Time for this activity is 35 minutes.

- As a final activity have the small groups report their results to see how the pieces of the plan flow together.

This activity takes 15 minutes.

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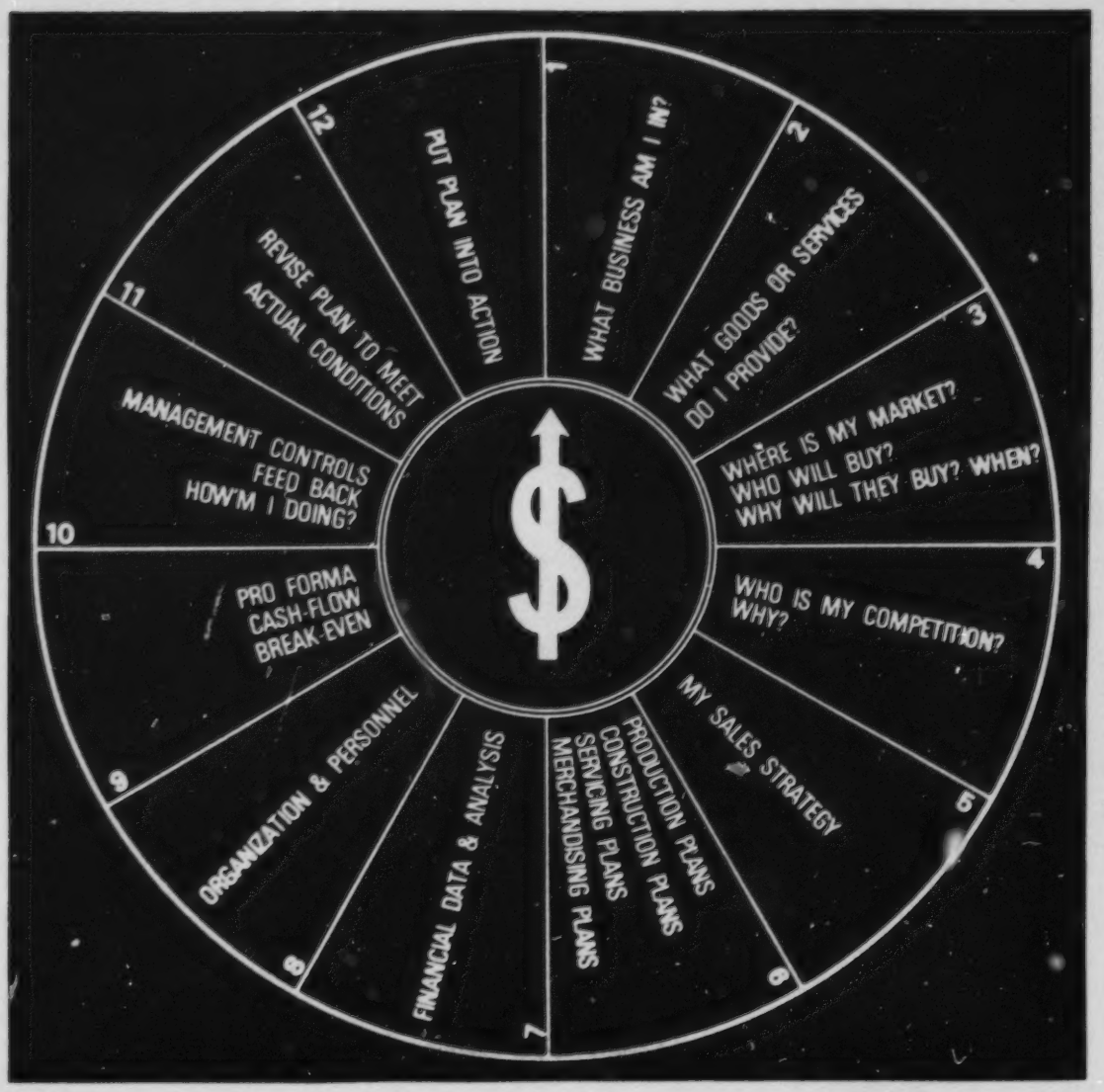
FILM

"The Business Plan." The Small Business Administration.

THE BUSINESS PLAN



SUBUNIT: AGENCIES ASSISTING FORMATION OF ENTERPRISES

OBJECTIVE: Students increase their awareness of types of assistance (other than financial) offered by various agencies connected with the promotion of small business.

Recommended class time: Two concurrent hours.

ENABLING OBJECTIVES:

Students increase their awareness of types of assistance (other than financial) to prospective entrepreneurs available from agencies assisting small businesses by participating in a panel discussion with representatives of selected agencies.

RESOURCES:

Three or four representatives of agencies such as:

1. Small Business Administration
2. Equity Finance Organization
3. Chamber of Commerce
4. Trade Association
5. Minority economic and business development centers
6. Commercial and industrial banks (loan office--the department which deals with small business loans)
7. Retired Businessmen's Association
8. Better Business Bureau or Credit Bureau
9. Consultants: Accounting, Legal, or Marketing

ADVANCE PREPARATION:

The purpose of the panel discussion is to create a new awareness in the students about organizations that provide assistance (other than money) to someone who is starting a new business. These agencies should focus on help beyond money. Financial help was covered earlier. These panel members should talk about additional support for small business like help in planning or advice that their organizations provide.

Locate three or four organizations examples of which are listed in the resources section above. Select and invite representatives of these organizations who are both knowledgeable and willing to make presentations to the class. The selection of the panel can vary depending on student interests and needs. It is important to provide at least three representatives so students will have enough exposure.

Line up your panel about three weeks in advance. Send a letter and call later to confirm the session, date, etc. It is helpful to send each agency representative a copy of the sub unit so he can plan his talk accordingly.

INSTRUCTIONAL ACTIVITIES:

- Briefly introduce the session by explaining the purpose of the panel discussion. This panel is providing information that will create an awareness in the students about assistance for prospective entrepreneurs and its sources.

  Introduce the panel of three or four individuals to the group and name their organizations.

  At this time you may want to give directions for the sessions.

  This introduction will take 10 minutes.

- Have each panel member give a brief 10-15 minute talk about his agency. The topic is, "How my agency can assist (other than money) an individual who wishes to start a new enterprise."

  This activity will take between 30 and 45 minutes.

- After the presentations have been made assign students to small groups. Have each agency person meet with one group for 15 minutes so that the students can ask questions. The agency person will switch groups every 15 minutes until all students have had a chance to question all agency representatives.

  Time for this activity is approximately 45 minutes.

  At the end of the session reassemble the class and thank the guests.

SUBUNIT: OHIO'S ENTREPRENEURIAL ENVIRONMENT

OBJECTIVE: Students increase their awareness of Ohio's Entrepreneurial Environment.

Recommended class time. One hour. Advance preparation essential.

ENABLING OBJECTIVES:

Students increase their awareness of Ohio's entrepreneurial environment by researching and reporting about the environmental factors in a panel discussion.

RESOURCES:

Student Information Sheet 17, "Factors in Entrepreneurial Environment"
Teacher Information Sheet 13, "Constitutional Amendment on Housing (Ohio): Fact Sheet"
Teacher Information Sheet 14, "Master Plan for Ohio Transportation: Fact Sheet"

ADVANCE PREPARATION:

Students require at least two weeks to prepare for this panel. Have the students choose their topics early enough. We suggest just before the beginning of Unit III. The process of selecting is dealt with in the instructional activities section. Also, design some procedures or guidelines for your students to follow in researching these topics. Explain these to the students when they select topics. Two Teacher Information Sheets are included as examples of information that can be helpful to prospective entrepreneurs.

INSTRUCTIONAL ACTIVITIES:

- Distribute Student Information Sheet 17, "Factors in Entrepreneurial Environment" to the class. Explain what is meant by Ohio's Entrepreneurial Environment by discussing the environmental factors. As you discuss these factors have students write the explanations next to the factors.

  Next, have the students meet in small groups (four to six) with telephone directories and their list of environmental factors. Have students explore sources for information about these topics by compiling a list of agencies and departments. The list should contain at least 10 to 15 items and cover all the factors. The following is a brief list of the types of sources they should list:

Ohio Development Council
Industrial Relations Department for State
of Ohio
Ohio EPA
Commerce Department

After exploring sources, have each individual sign up to research and report on a topic. Form groups of two or three--no larger. Briefly, explain about the panel, any guidelines for development and answer questions.

This activity will take approximately 20 minutes.

In the next session, have them meet in a panel and report on their efforts.

This activity should take the full period.

FACTORS IN ENTREPRENEURIAL ENVIRONMENT

1. State of economy: finance, incomes, employment/unemployment, land and labor costs.

2. Type of economy: sources which generate revenue--heavy industry, small businesses, tourism, agriculture, recreation, and government

3. Demography: size, density, distribution, age, sex of population

4. Ecology: EPA regulations, pollution, zoning

5. Laws--Regulations: federal, state and municipal applicable to entrepreneurship

6. Consumer Behavior: purchasing power, buying patterns, taste preferences

7. Institutions: economic and social, public and private: banks, universities and schools, hospitals, special institutions

8. Communications: transportation and means of communication

9. Intra-Structure Facilities: facilities like water, electricity, telephone

10. Incentives and Special Programs: incentives given by public institutions for entrepreneurs

11. Taxation: federal, state and municipal taxes: income, sales, excise, export

CONSTITUTIONAL AMENDMENT ON HOUSING

Fact Sheet

WHERE OHIO IS NOW:

Ohio has no housing program. Thousands of low income Ohio working people are living in housing that is dirty, unsafe and run down. Skyrocketing real estate and building costs are putting housing out of the range of even middle income working Ohioans. The lack of housing for the elderly is a state scandal. The housing industry is in its worst slump since the Great Depression, and thousands of Ohio building tradesmen who normally are employed in homebuilding are out of work. Unemployment in many building trade union locals exceeds 50 percent.

While Ohio has stood still, other states have not. The State of Michigan, for example, has had an aggressive housing program for the past four years. 15,393 housing units have been built. Another 14,890 are in planning and construction stages. At the present rate, Michigan will build safe, decent housing for 50,000 families by 1980. The Michigan program has created 22,000 new jobs each year it has been in existence.

In Ohio, a housing program should aim to build 75,000 units in five years, creating 35,000 jobs.

WHAT OHIO MUST DO:

Through the state's revenue bonding authority, Ohio must undertake a massive housing program similar to the one in Michigan to provide safe housing to low and middle income families, and for our senior citizens. Through such a program, we can get thousands of Ohioans working again by next spring, at NO COST TO TAXPAYERS. Our goal is to provide, through revenue bonding authority, low interest construction money to build single and multi-family housing, mobile homes and special nursing home and senior citizen residence facilities.

A constitutional amendment is required to clarify the state's authority to engage in such a program.

METHOD:

A proposed constitutional amendment which would give the state authority to issue revenue bonds. The tax-free bonds will raise money so the state can make loans for housing construction and permanent financing of mortgages. In addition, it will allow for the first time the state's political subdivisions to conduct their own housing program.

PROGRAMS PLANNED:

The amendment will allow new legislation to be passed expanding the authority of the Ohio Housing Development Board and the state's political subdivisions so that they may engage in the following kinds of programs:

- Loans to Lenders. Money raised through the sale of revenue bonds at interest rates 2 to 4 percent below market rates would be lent to financial institutions such as banks and savings and loan companies. Those institutions would in turn lend the money to qualified developers and individuals at large interest savings to build housing, nursing homes or senior citizens housing.

- Direct loans to housing developers.

- Purchase of home mortgages already held by financial institutions.

- Participation in federal rent subsidy programs for families otherwise unable to afford rent for decent housing.

- Guarantee of loans made to housing developers and payment of interest subsidies.

- Acquisition, rehabilitation and sale or lease of property and buildings for housing, nursing home, extended care and other related facilities.

- Low interest loans to cities, counties, townships and other political subdivisions, not for profit corporations and individuals for housing rehabilitation.

COMMENTARY:

The best moral support we can give to all of our citizens is a clean, safe and attractive home environment. This proposed amendment, and the programs to follow, will stimulate a resurgence of the housing industry in Ohio. In addition, this program will for the first time make it attractive for industry, churches and civic associations to serve their communities by sponsoring construction of housing, senior citizens centers and nursing homes. The amendment also will prepare Ohio to take the best advantage of the federal Housing Assistance Payment Program, which has been revitalized in Washington after lying dormant for two years. Ohio must not rest until all Ohioans, from the youngest to the oldest, have a decent place to live.

MASTER PLAN FOR OHIO TRANSPORTATION

Fact Sheet

WHERE OHIO IS NOW:

Ohio has no master program for transportation. More than $1 billion in highway project are ready to go, and there is no money to fund them. Millions in federal public transit aid is being bypassed because the cities have no matching funds. Five thousand bridges in the state are unsafe, many to the point of being near collapse. Yet city and county engineers and township trustees have no money for capital improvements. The lifelines of our state are deteriorating. They must be improved for our citizens and our industry.

PURPOSE:

To make Ohio depression-proof by providing 100,000 construction jobs a year, 20,000 of them beginning next spring through action on $200 million in transportation project which are ready to go, and to provide long term, top-rate transportation facilities to guarantee future job opportunities in Ohio.

OBJECTIVES:

1. To provide for $1.025 billion in highway construction over the next four years. The total includes completion of Ohio's Major Arterial Highway System, and of scores of other projects listed on the Department of Transportation's priority lists. The program will attract $3.25 billion in federal funds.

2. To provide $400 million to Ohio's townships, counties and cities over four years for badly needed capital improvements.

3. To provide $100 million for inner city streets and street lighting.

4. To provide for $55 million in capital improvements necessary to establish regular commuter rail service in the Cleveland-Columbus-Dayton-Cincinnati corridor, and in the Cleveland-Youngstown-Pittsburgh corridor.

5. To seize the initiative in developing strong public transit systems in Ohio by providing $85 million over four years for mass transit capital improvement subsidies.

6. To provide $10 million to upgrade Ohio's county airports.

7. To provide $45 million over four years for park roads and park access.

8. To provide $5 million for bicycle paths.

9. To provide $25 million for transportation research and for improvements at the Transportation Research Center.

10. To attract $3.25 billion in federal funds to Ohio.

METHOD:

A consitutional amendment to allow issuance of $1.75 billion in bonds, to be repaid over 30 years by proceeds from a 9/10-cent per gallon tax on gasoline and other vehicle fuels. When the bonds are retired, the tax will cease. It is estimated $1.75 billion in state money will attract $3.25 billion in federal funds through highway, public transportation and other federal programs. The federal money, which otherwise will not come to Ohio will more than pay for interest on the bonds. Interest will be $1.57 billion at 4-3/4% or $1.96 billion at 5-3/4%. The 4-3/4% - 5-3/4% range is considered by underwriters to be the possible rate the state will have to pay.

DISTRIBUTION OF STATE BOND FUNDS

Purpose	Amount (Millions)	Potential Federal Funds (Millions)	Percent Federal Participation
1. Aid to Counties, Cities, and Townships	$ 400	$ 400	(50%)
2. Municipalities - Inner City Streets & Street Lighting	100	50	(33%)
3. Public Transportation	85	340	(80%)
4. Rail System Service	55	25	(31%)
5. Airports/Aviation Safety	10	5	(33%)
6. Bikeways	5	5	(50%)
7. Park and Park Access Roads	45	45	(50%)
8. Transportation Research	25	25	(50%)
9. State Street, Road, and Highway System Improvements	1,025	2,355	(70%)
	$1,750	$3,250	(65%)

$1.75 Billion -- State
3.25 Billion -- Federal

$5.5 Billion -- Total

AID TO CITIES, COUNTIES AND TOWNSHIPS

Ohio's cities, counties and townships have been severely restricted in recent years because of lack of funds. Under the bond issue, $400 million will be distributed to the cities, counties and townships over four years to underwrite a massive, locally-oriented capital improvements program.

The program will provide for attention to more that 1,000 bridges in Ohio rated unsafe by engineers.

The money will be distributed according to the same formula used in distributing auto tag registration fees.

The funds will be the largest infusion of new money into local government trasnportation programs in the history of Ohio. The last time local governments benefited from state fund increases was in 1961 when the registration fees were redistributed to give them an additional $16 million a year.

MUNICIPALITIES INNER CITY STREETS AND STREET LIGHTING

Many of our municipalities have critical needs in the inner cities where there is a high rate of unemployment, crime and deterioration.

The proposed bond issue provides $100 million for street improvements including resurfacing and for street lights. These funds will be appropriated by the Legislature to municipal corporations on a need basis through the Department of Transportation. In addition to providing for employment in the inner city and neighborhood areas through capital improvement projects, the addition or replacement of street lights will aid in the municipalities' fight against crime.

These funds can be matched by federal funds either through the municipality or through the state.

PUBLIC TRANSPORTATION

The federal Urban Mass Transit Administration has allotted to Ohio $340 million in funds for capital improvements such as bus purchases over the next four years.

The bond issue will provide the local matching money needed to attract these funds, or $85 million. The state money will free local money to be used for improved service, rather than capital improvement.

The money will be available to Ohio's eight regional transit authorities, and to authorities and bus companies in other Ohio cities.

In addition to the $340 million in public transportation money already allotted by the federal government to Ohio, the U.S. Secretary of Transportation has other discretionary funds which he will allot to states with aggressive mass transit programs.

The bond issue will place Ohio in the forefront, and improve chances for getting federal money above the $340 million.

AVIATION

During the previous Rhodes administration, airports serving every one of Ohio's 88 counties were constructed.* As a result, there has been a huge increase in general aviation in Ohio. The airports now are in need of additionaly safety equipment.

The bond issue will provide $10 million for airport safety improvements, including runway lighting, electronic guidance systems, and runway lengthening projects. The money will be distributed on an accross-the-board basis, so that each airport will receive about $120,000.

In counties where there is more than one airport, county officials will decide which facility will get the new money.

Some large airports could use the state money to acquire federal grants.

RAIL

The largest transportation corridor in Ohio runs from Cleveland through Columbus to Cincinnati. At present, more than 99 percent of passenger traffic in the corridor moves by highway.

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*Eight counties combined in pairs to build airports, so that 84 airports serve the counties.

The bond issue will provide $55 million for rail transportation in Ohio, which will attract another $25 million in federal funds for a total of $80 million.

Of the total, $60 million will be spent to upgrade the roadbed in the 3-C corridor so that it can handle trains running at up to 80 miles per hour. In addition, signals to insure the safety of those along the right-of-way will be installed, and the most modern and comfortable rolling stock will be purchased.

Service at four-hour intervals will be provided, with stops in Cleveland, Brook Park, Crestline (Mansfield), Marion, Columbus, Springfield, Dayton, Hamilton and Cincinnati.

The remaining $20 million of the state and federal money would be used to make improvements necessary for similar service in the Cleveland-Pittsburgh corridor. The money will be used to improve the Ohio portion of the roadbed. Trains will stop in Cleveland, Bedford, Hudson (near Akron), Favenna, Youngstown and Pittsburgh.

More than half (52 percent) of Ohio's residents live in the counties through which the 3-C corridor train will run. Nearly three million live in the counties touched by the Cleveland-Pittsburgh line. Sixty percent of Ohio's residents will have a viable, comfortable, safe alternative to highway travel between Ohio cities.

Some of the money also will be available for stations and park-and-ride facilities.

TRANSPORTATION RESEARCH

The bond issue will provide $25 million for transportation research. The bulk of the money will be used, together with $25 million in federal funds, for improvements at the Transportation Research Center in East Liberty, Ohio. The center, which is operated at no cost to taxpayers, requires new equipment to maintain its place as the pre-eminent facility of its type in the nation.

PARK ROADS AND PARK ACCESS ROADS

The bond issue provides $45 million for construction of roads through state parks, and for improvement of access roads to state parks. The money will improve the parks, and will relieve local government of the responsibility for building and maintaining heavily traveled park access roads.

BIKEWAYS

Bikeways, bike trails and bike paths are fast becoming an important aspect of Ohio's transportation and recreation scene. Bikeway or bike path plans are being developed or have been developed in many municipalities in Ohio both as an alternate means of transportation in urban neighborhoods and as recreational facilities. The bond issue will provide $5 million for bikeways.

Federal funds are available from U.S. Department of Transportation and U.S. Department of the Interior for bikeways and bike paths.

STATE STREET, ROAD AND HIGHWAY SYSTEM IMPROVEMENTS

The proposed bond issue will provide for completion of Ohio's Major Arterial Highway System, fulfilling the goal first set forth in the Sixties of placing a major highway within 20 miles of every rural and urban home in Ohio. The system includes the Interstate highways, four-lane divided highways, and in rare cases, two-lane highways. Completion of the system will require $217 million in state funds, matched by $550 million in federal funds.

Projects which are ready to go include:

- I-90 and I-480 completion in Cleveland area.
- Powhatan Point Bridge.
- Rocky River Bridge.
- Five Points Intersection improvement in Brook Park.
- Rt. 35 improvements in Xenia-Dayton area.
- Warren Outerbelt completion.

- Rt. 13 improvements near Mansfield.

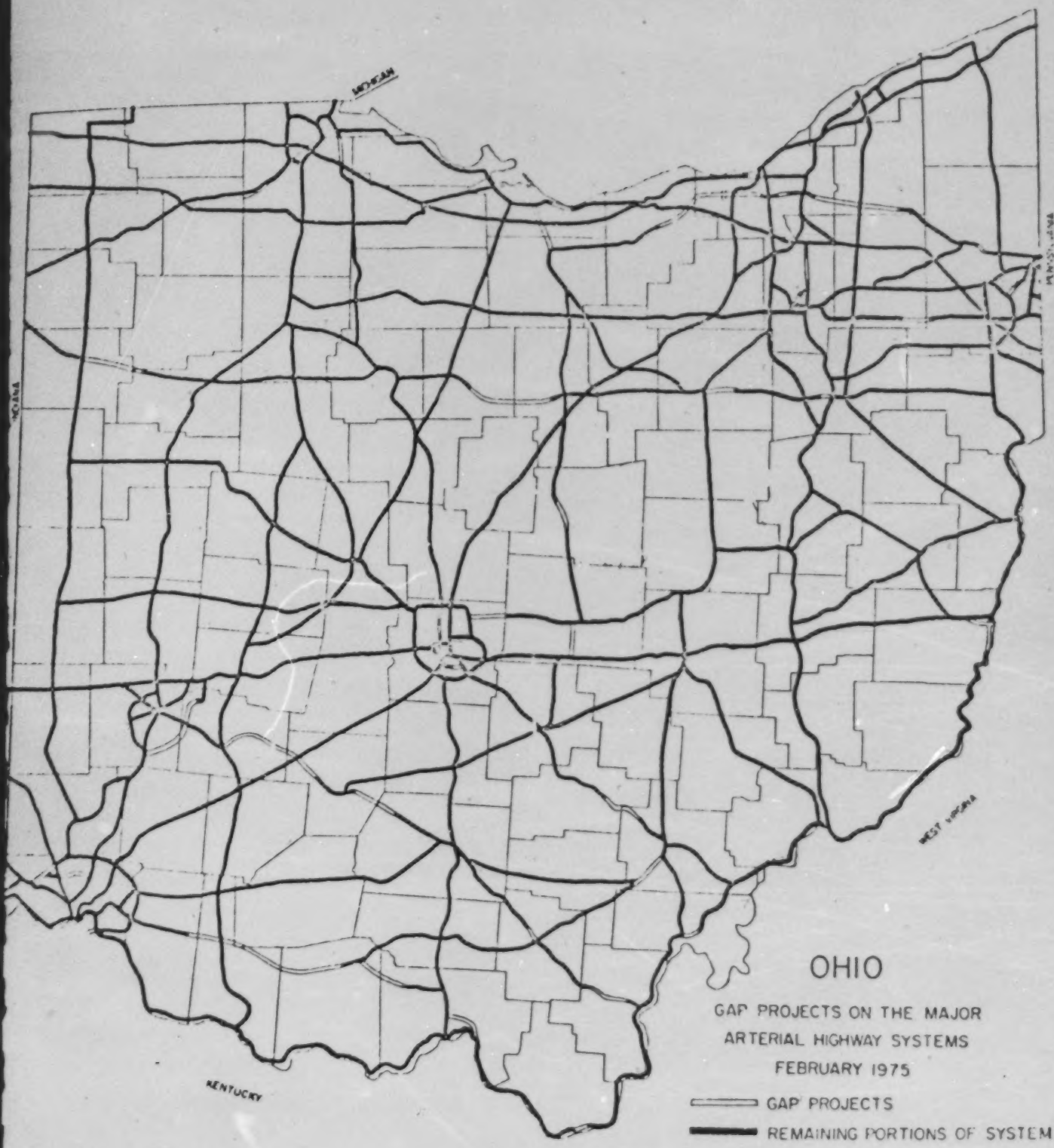
- Rt. 59 improvements near Akron.

- Portsmouth by-pass.

- Shortcreek extension Rt. 150.

- I-470 completion at Bellaire.

Other bond issue money allotted for the Department of Transportation's highway program will be used in a systematic program of highway construction carried out according to Department of Transportation's priority list. It will include many projects which have been needed for months and years, but which have been tied up for lack of funds. The program will emphasize flexibility so that needs arising over the next five years can also be met. All decisions will be based on need and benefit to Ohioans.


MICHIGAN
INDIANA
PENNSYLVANIA
WEST VIRGINIA
KENTUCKY
OHIO
GAP PROJECTS ON THE MAJOR
ARTERIAL HIGHWAY SYSTEMS
FEBRUARY 1975
GAP PROJECTS
REMAINING PORTIONS OF SYSTEM

UNIT IV: MANAGERIAL TRANSITION FACTORS

As a prospective entrepreneur develops his idea for a business and actualizes it, he goes through a transition--from the prospective entrepreneur to the owner-manager. Based on his own personal factors and those within the environment he must be able to identify and organize all the elements that go into the making of a business. The student is introduced to the elements of decision making so that he may be ablet to exercise judicial choices. He is then led through the notions of organizing a hypothetical business on sound decisions.

Then, as an owner-manager he holds a special leadership position with respect to an emerging organization. The student is, therefore, introduced to the subtlities of leading a new organization. The sub unit on management gives him but a peep into the world of small business management--of what is on the other side of the coin.

SUBUNIT: ENTREPRENEURIAL DECISION MAKING

OBJECTIVE: Students make entrepreneurial decisions under conditions of uncertainty.

Recommended class time: Two hours.

ENABLING OBJECTIVES:

1. Students define decision, identifying the steps in the decision making process and the criteria for selecting a decision by discussing in a class the definition of decision, steps in decision making, and criteria for selecting a decision.

2. Students identify the types of decisions an entrepreneur makes--entrepreneurial or managerial--depending on his situation by discussing in class Student Information Sheet 19, "The Growth of the Entrepreneur," and by comparing and contrasting these types of decisions.

3. Students demonstrate an understanding of the types of decisions an entrepreneur makes by reading Student Work Sheet 12, "Art Shop," identifying decisions in the case and labeling them as entrepreneurial or managerial.

4. Students develop an understanding of the use of decision trees in decision making by a class discussion of Teacher Information Sheet 15, "Decision Trees for Decision Making" by John Magee.

5. Students make their decisions on whether or not they will go into business by using individually the decision tree method to make their decisions.

RESOURCES:

Student Information Sheet 18, "Sequential Steps in the Decision Making Process"
Student Information Sheet 19, "The Growth of the Entrepreneur"
Student Information Sheet 20, "Definition of Entrepreneur"
Student Work Sheet 12, "Art Shop"
Teacher Information Sheet 15, "Decision Trees for Decision Making"

INSTRUCTIONAL ACTIVITIES:

- Have students offer definitions of the word decision. John McDonald defines it as, "a choice of alternative means by which to move toward an

objective. The objective itself may involve a complex of desires, that is, it may be a combination of objectives, some of which are in conflict."-- "Resolving objectives together with finding, comparing, and choosing the means to reach them in the future is the heart of the act of decision."

Decision making is a systematic process. Peter Drucker has listed six sequential steps of the process. See Student Information Sheet 18, "Sequential Steps in the Decision Making Process." Discuss these steps with the students.

Next, explain that the accuracy (rightness) of decisions affecting the future can be improved by taking into account the probability of certain events occurring. Probability can be calculated by observing the patterns of regularity and irregular or random phenomena. Every decision has an associated set of consequences. The consequences may be profits or losses, success or failure of a business, loss or gain of prestige, or winning or losing. The outcomes can be "predicted" or "controlled" if we could translate the consequences into number values so that they can be compared. Simple statistical tools are available to calculate probabilities of certain events occurring and their magnitude. If you wish to deal more fully with these concepts, refer to the literature listed in the Bibliography for ideas.

Often what appears to be a single decision is actually a set of component decisions. The decision tree approach to be introduced shortly illustrates this concept well. The selection of a business decision is based on certain criteria related to the probability of gains or losses and their magnitude. Discuss these criteria. Some of these might be[1]:

1. The decision which has the best average gain or smallest average loss.

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[1]M. Tainiter. *The Art and Science of Decision Making.* Syosset, New York: The Time Table Press, 1971.

2. The decision which has the best gain for the most likely state.

3. The decision based on the best possible return over all states of nature. A true optimist would select this criterion.

4. The decision based on the best possible return, assuming the worst state of nature will occur. This is preferred by the pessimist.

5. The decision somewhere between the true optimist and the pessimist.

Time for this discussion is 20 minutes

- The number of decisions an entrepreneur makes is endless. However, depending on the situation of the entrepreneur--either as a potential entrepreneur or as one who has made the transition into an owner-manager--his decisions may be classified as entrepreneurial or managerial. To illustrate this point, distribute Student Information Sheet 19, "The Growth of the Entrepreneur" and discuss the diagram. (You may wish to make a transparency of the diagram and project it during the discussion.)

  The entrepreneur's decision making situation is characterized by: innovativeness, a preponderance of one-time decisions, higher degree of uncertainty, the risk concentrated on the entrepreneur himself, larger number of decisions to be made, personalized decision making, etc. Distribute Student Information Sheet 20, "Definition of Entrepreneur" by Robert Buchele as a handout and further discuss the differences between entrepreneur and manager. Stress that the entrepreneurial decision making situation demands a virtually endless chain of decisions.

  This discussion will need about 10 minutes.

- Have the students read Student Work Sheet 12, "Art Shop" in the class and circle or underline the decisions Mr. Anderson takes. Then have the

student go back to the beginning of the case and label the circled decisions as entrepreneurial or managerial by placing an "E" or "M" next to each decision. After the students have completed this activity individually, briefly review the classifications as a class to make sure the students are clear about the kinds of decisions an entrepreneur makes.

This activity should take about 20 minutes.

- In the next session, help the students to understand the process of decision making by illustrating it with the development of a decision tree. A decision tree is an excellent analytical tool for developing alternate probably events and consequences. Use the models and explanation given by John F. Magee, Teacher Information Sheet 15, "Decision Trees for Decision Making." After reading the entire article, decide on how much of it will be appropriate for your students.

  This should take 20 minutes.

  Finally, have the students prepare decision trees for themselves on the question of whether or not they will go into business and if yes, what business. Encourage students to take a positive, venturesome attitude in developing the tree for their decision.

  This activity will need around 30 minutes.

NOTE TO THE INSTRUCTOR:

For a simpler progression, you may wish to use the different decision trees in Magee's article at different points in the sessions. For instance, the decision tree on the Saturday afternoon cocktail party may be used after the initial discussion on decision making following the elaboration of the criteria for the selection of a decision and the decision trees on the development of a new product and the Stygian Chemical Industries, Ltd., at the beginning of the next session that is designed to help students to decide on their entrepreneurship choices.

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1. Drucker, Peter F. "The Effective Decision," *Harvard Business Review.* Vol. 45 (January-February 1967), 92-93.

2. Greenwood, William T. *Decision Theory and Information Systems.* Cincinnati: South-Western Publishing Company, 1969.

3. Hammond III, John S. "Better Decisions with Preference Theory," *Harvard Business Review.* Vol. 45 (November-December, 1967), 123-141.

4. Magee, John F. "Decision Trees for Decision Making," *Harvard Business Review.* Vol. 42 (July-August 1964), 126-135.

5. Tainiter, M. *The Art and Science of Decision Making.* Syosset, New York: The Time Table Press, 1971.

SEQUENTIAL STEPS IN THE DECISION MAKING PROCESS*

* * * * * *

1. The classification of the problem. Is it generic? Is it exceptional and unique? Or is it the first manifestation of a new genus for which a rule has yet to be developed?

2. The definition of the problem. What are we dealing with?

3. The specifications which the answer to the problem must satisfy. What are the "boundary conditions"?

4. The decision as to what is "right," rather than what is acceptable, in order to meet the boundary conditions. What will fully satisfy the specifications before attention is given to the compromises, adaptations, and concessions needed to make the decision acceptable?

5. The building into the decision of the action to carry it out. What does the action commitment have to be? Who has to know about it?

6. The feedback which tests the validity and effectiveness of the decision against the actual course of events. How is the decision being carried out? Are the assumptions on which it is based appropriate or obsolete?

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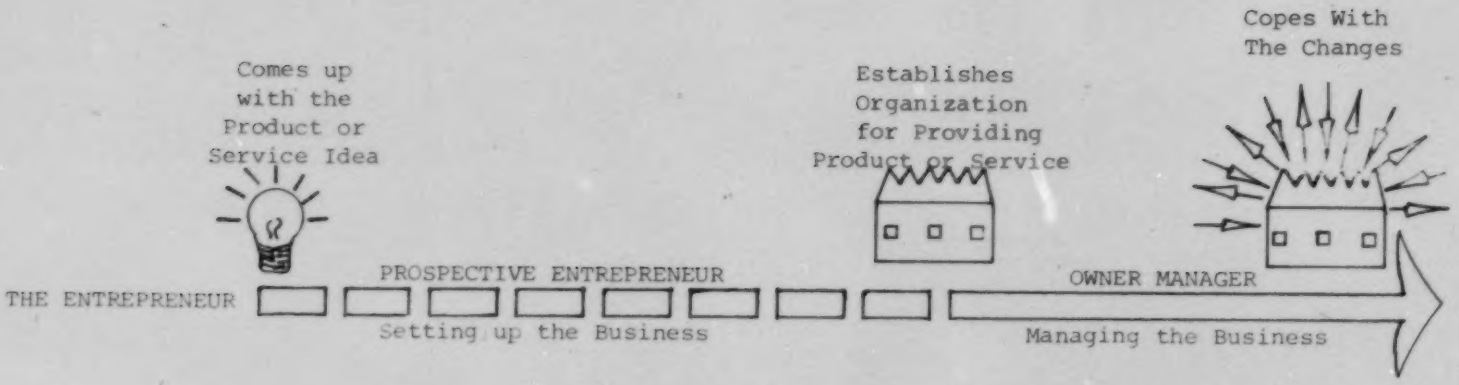
*From: Drucker, Peter F. "The Effective Decision," *Harvard Business Review*. Vol. 45 (January-February, 1967), 92-93.

THE GROWTH OF THE ENTREPRENEUR*


Comes up with the Product or Service Idea
Establishes Organization for Providing Product or Service
Copes With The Changes
THE ENTREPRENEUR
PROSPECTIVE ENTREPRENEUR
Setting up the Business
OWNER MANAGER
Managing the Business

*Model developed by Christopher J. Kalangi.

Definition of Entrepreneur*

Many writers on entrepreneurship go back to Joseph Schumpeter, an economist who stressed the role of innovation in economic development and business cycles, for their definition. To Schumpeter the entrepreneur is an innovator (not necessarily an inventor) who creates a "new production function" or carries out "new combinations"--which includes not only methods of manufacturing but also new products, new materials, new markets, new marketing methods and many other economic activities, so long as they are innovative.

> They have not accumulated any kind of goods, they have created no original means of production, but have employed existing means of production differently, more appropriately, more advantageously. They have "carried out new combinations." They are entrepreneurs. And their profit, the surplus, to which no liability corresponds, is an entrepreneurial profit.[1]

In the latter part of this quotation Schumpeter sets up his distinction between the entrepreneur (who earns a profit) and the provider of capital (who earns interest). Thus, the essence of Schumpeterian entrepreneurship lies in conceiving and trying out a new idea rather than in taking financial risk--although in some cases the same individual does both.

Another distinction drawn by Schumpeter is that between an entrepreneur and a manager:

> Carrying out a new plan and acting accordingly to a customary one are things as different as making a road and walking on it.[2]

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*From: Buchele, Robert B. "Definition of Entrepreneur," *The Development of Small Industrial Entrepreneurs as a Tool of Economic Growth.* Honolulu, Hawaii: The East-West Technology and Development Institute, 1972.

[1]The Theory of Economic Development (Harvard University Press, 1934). In a 1949 edition by Harvard University Press, translated by Redvers Opie, p. 132.

[2]Ibid., p. 72.

More recent writers have made this same distinction:

> The entrepreneurial function is basically an initiating and innovating operation rather than a routine managerial one.[3]

> Strategic decisions are those concerned with the problem of deciding what business the firm is in and what kinds of businesses it will seek to enter. . . . Perhaps a better term would have been entrepreneurial.[4]

> "Maximization of opportunities: is a meaningful, indeed a precise, definition of the entrepreneurial job. It implies that effectiveness, rather than efficiency, is essential in business. The pertinent question is now how to do things right but how to find the right things to do, and to concentrate resources and efforts on them.[5]

Another approach to distinguishing between entrepreneurs and managers consists of listing a sequence of activities that progresses from entrepreneurship to management. (a) Perception of market opportunities--novel or imitative; (b) gaining command over scarce resources; (c) purchasing inputs; (d) marketing of the product and responding to competition; (e) dealing with public bureaucracy on concessions, licenses, taxes, etc.; (f) managing human relations within the firm; (g) financial management; (h) production management--control by written records, supervision, coordinating input flows with orders, maintenance; . . . (k) upgrading processes and product; (l) introduction of new

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[3]James, C. L. *Principles of Economics*. (Barnes and Noble, Inc., 1956), p. 11.

[4]Ansoff, Igor. *Corporate Strategy*. (McGraw-Hill Book Company, 1965).

[5]Drucker, Peter F. *Managing for Results*. (Harper and Row, Publishers, 1964), p. 6.

production techniques and processes.[6] Clearly, steps (a) and (b) are entrepreneurial; then there is a shift to purely managerial activities, such as (f), (g), (h), etc. The distinction would be sharper if steps (c) and (d) were grouped into one, something like "committing the resources to market competition," which would be the final entrepreneurial activity.[7] Note, also, that the author of this list includes "imitative" opportunities--a change from pure innovation. Indeed, the same writer suggests that today's important entrepreneurs, especially in underdeveloped countries, are more adaptors of ideas developed elsewhere than pure innovators.[8]

Although the distinction between the entrepreneurial function and the managerial function is a valid one, the two functions are often performed by the same person, especially in small scale enterprises. In fact, helping an entrepreneur become a manager is a thorny problem, one which we will give considerable attention in a later section of this report.

Various definitions: Others use more specific definitions than did Schumpeter. Thus, the entrepreneur is variously seen as the man who starts a business (regardless of whether or not it is innovative), or the man who both owns and operates a business (regardless of whether or not it is a new

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[6] Kilby, Peter. "Hunting the Heffalump," in *Entrepreneurship and Economic Development*, Peter Kilby, editor. (The Free Press, 1971), pp. 27-28.

[7] A fine point for argument is whether the last step does not represent a return to entrepreneurship; in other words, as any business progresses through the years, sooner or later there must be some innovation, some basic change, some rebirth in entrepreneurship.

[8] Ibid., pp. 4-5.

or a newly invigorated business), or simply the operator (not necessarily owner) of a business as long as it is both successful and small:

> Entrepreneurs are individuals who organize a business where none existed before.[9]

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[9]Collins, O., and David Moore. *The Enterprising Man*. (Michigan State University Business Publications, 1965), p. 20.

ART SHOP[1]

The "Showcase Galleries" was established by John Anderson for two personal reasons. He had become irritated by the "ivory-tower" atmosphere of most art galleries that he had visited, and resolved to establish a different type of gallery. He also wished to test whether he could establish such a gallery with a maximum investment of $500.00; this was a challenge which he issued to himself.

The first step was to acquire a location. Mr. Anderson found a Victorian building, boarded up for about ten years and in the trust of a bank, in Palo Alto, California, a high-income community adjacent to Stanford University. The trust officer of the bank refused to lease or rent the building because it was soon to be demolished. Mr. Anderson realized that this building would be especially suitable since, with a short-term rental, he could prove the feasibility of an innovative art gallery without assuming the obligation of a long-term lease. Through a conversation with the local branch manager, spiced with the enticement of all his commercial and personal business, Mr. Anderson obtained the property on a month-to-month basis.

Two basic themes were established for the business: (1) the public image of the gallery should be somewhat philanthropic; and (2) the gallery should have an "arty" yet "homey" atmosphere. A "public-service" image was established and maintained for the life of the gallery. The first step in this direction was to have monthly "one-man" shows involving student artists. Mr. Anderson offered this opportunity to high schools and colleges. Each of these shows was conducted in the main gallery. The students were charged regular gallery commissions on sales, and were given an opening-day party. Mr. Anderson prepared publicity releases for local newspapers and radio stations, and usually insisted that the school or college also do so. Throughout the life of the business Mr. Anderson prepared similar releases at every opportunity; these were almost always published in the newspapers or read over the radio.

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[1]Prepared by J. Malcolm Walker, Associate Professor of Organizational Behavior, and Saul B. Anshen, Graduate Student, School of Business, San Jose State University. The case is designed for classroom discussion and not to illustrate either effective or ineffective handling of an administrative situation.

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On taking possession of the rented building, Mr. Anderson established the atmosphere of his gallery first by covering the walls with burlap in order to complement the art hung on the walls. A large coffee pot was placed just inside the door to help visitors to the gallery feel welcome. Every picture or sculpture had a legend and price printed on an accompanying tag. The employees on duty were casually dressed, and were always ready to greet visitors and offer them coffee and convesation.

In order to generate art for showing in the gallery, Mr. Anderson visited many art shows and invited the better artists to show at "The Showcase Galleries." After the gallery became known as a "selling" gallery the artists flocked in, asking to be allowed to hang their paintings. Some of these paintings were pretty bad. In order to maintain a rapport with the art colony and not to offend an artist by a blatant rejection, Mr. Anderson invented an art jury. If the art was bad Mr. Anderson informed the artist that since he himself was ignorant of art, he would not accept any art for the gallery until it had been judged by the panel of experts that he employed. Three days later, he would, on the jury's supposed say so, reject the art, blame the hypothetical jury, sympathize with the artist, and thereby retain a rapport with him. Both saved face.

The first "one-man" show cost approximately $75.00, including champagne and printing and mailing of invitations. Mr. Anderson felt that this expense could rapidly become untenable, so he contacted two wineries to conduct a monthly wine tasting at the gallery at the projected monthly one-man shows. One winery refused on the grounds that they had a large investment in their winery showplace, and did not participate in wine tastings anywhere but on those premises. The other winery was very receptive when Mr. Anderson pointed out that their exposure would be to a receptive audience of proven wine drinkers, patrons of the art world. The initial wine tasting was so successful that a representative of the first winery visited Mr. Anderson, and informed him that they had reconsidered and would be pleased to conduct wine tastings at the gallery as often as he wished. The result was the use of both wineries for the duration of the gallery's existence.

Mr. Anderson explored the possibility of selling art on "time"--not a normal practice in this type of business. He contacted a finance company, and presented a plan to finance art through that company on a non-recourse basis. The plan called for the finance company to finance the art purchase in the form of a personal loan to the purchaser with his furniture as collateral. The company agreed, and Mr. Anderson sent a news release to the paper headed "Art Gallery Pioneers Financing of Paintings." This was published as a quarter-page writeup.

Mr. Anderson, who had been a child during the depression of the 1930's and who worked as an industrial engineer, recognized the value of planning,

records, and cost control. This led to initial planning, incorporating milestone charts of many operational aspects of the business, and records of accomplishment measured against these charts. Revaluation of the gallery's past and current positions caused frequent updating of these charts. It soon became apparent that the profit available from art on the walls was very limited. Other ancillary sources of revenue had to be explored and exploited to make the gallery a success. From the nature of the clientele, made up of middle class and upper middle class artists and/or patrons of the arts, a pattern began to form: that of a potential continuing demand for picture frames were they available at a reasonable price. But before this potential could be exploited, the bank gave Mr. Anderson thirty days to vacate the property.

A decision now had to be made: should Mr. Anderson close up, or find another location and continue. He decided to continue if he could find a suitable location, and a week later located in the downtown area an abandoned Masonic Lodge Hall (5000 square feet). As the hall had been vacant for several years, he obtained a two-year lease with a five-year option at $200 per month--a very low cost of four cents per foot. The location, on the second floor of the building, was shared with a ballet school and had a wide carpeted staircase, conditions which would help preserve the "arty" atmosphere of the gallery.

The first setback now appeared. Due to lease deposits and a high (28-foot) ceiling in a large (4000-square-foot) main gallery which necessitated additional lighting and acoustic control, it was necessary to loan the business an additional $500 from personal funds. This loan was repaid within ninety days of the start of the new operation.

After setting up the gallery Mr. Anderson then decided to get into the frame business. Normally, this requires a sizable capital investment for equipment, materials, and finished goods inventory. To offset this, Mr. Anderson visited many frame manufacturers throughout California trying to get ready-made frames on consignment. This consignment practice was unheard of, and he was rebuffed on every side. When he finally realized this was the wrong approach, he attempted an alternative. He found what he wanted about 35 miles from the gallery location--a frame manufacturer who needed more room for his inventory. Mr. Anderson proposed to store part of the manufacturers inventory at no cost to the manufacturer if the manufacturer would allow him to sell from this inventory. This proposal was accepted, and a successful relationship for both was established, which continued for the life of the business. This provided a finished-goods inventory (approximately 1000 frames), but there remained a problem of equipment and raw material inventory for custom framing. Mr. Anderson located a supplier who would sell him small quantities of molding, as well and cut and miter what he needed. For the extra cost of approximately 75 cents per frame, Mr. Anderson could order and receive the four frame sides ready to be assembled. His total outlay in equipment (sample frame corners, a vise, hammer, glue, nails, etc.) was less than $200.

Realizing that most purchasers of art seldom purchased picture frames, Mr. Anderson decided to concentrate on the artists' business. It is not unusual for a producing and showing artist to use 50 frames per year. As the frame business is highly profitable, but usualy based on limited sales, Mr. Anderson proceeded to give discounts to artists on ready-made frames, and discounts and service on custom framing. The discounts were more than offset by the greatly increased volume that resulted. During this period a few frames were purchased for inventory. These were manufacturers' errors, usually custom-made to a wrong, non-standard size. Because these were supposedly unusable, they were purchased at very low prices (e.g., a $20 frame for 75 cents). Mr. Anderson cut and fitted a piece of masonite to the frame for less than 50 cents and priced the package (frame and masonite to paint on) to an artist for $12 - $15. Apart from these, Mr. Anderson had an $8000 inventory of ready-made frames, at any given time, plus a custom frame business for an investment of less than $200.

The new gallery had three available storerooms. The one behind the custom-framing area was established as a catchall. A second, (really a long corridor) was established to store paintings. Mr. Anderson observed that people liked to rummage, so he kept the corridor as an art showroom and encouraged clients to rummage through it. A significant number of art sales origiated in this corridor. The third room was made into a classroom for art classes. Mr. Anderson cleaned and painted the room and bought one studio easel ($14.50 wholesale). A retired carpenter made copies of this easel for $7.50 each. Fourteen were purchased for the classroom, and an additional small inventory kept for sale to artists, "discounted" to $15.00 each.

The main problem with the art classes was how to make them profitable. The apparent competition included Adult Education classes at $3.00 per quarter and the local art clubs charging $9 - $12 per series of lessons. Competing with these on a price basis would not lead to much, if any, profit. Mr. Anderson decided to "create a need, and fill it." He contacted artists with large reputations and arranged for them to teach at the gallery school for high fees. Their names, coupled with the ever-present news releases obtained local publicity. As a new teacher was hired, additional publicity was secured. Large numbers of students, willing to pay a price that covered the fees and a profit, came to study with these artists.

One of the teachers was a famous American water colorist. He was brought from Washington, D.C. for a three-week seminar - two classes every week-day, for a total of 30 lessons. These were offered to students at $40 for ten lessons. The classes were full. Most students bought all 30 lessons. Though most teachers were paid by the hour, this most famous artist worked on a per-centage (75%). When the artist was announced, the attendent publicity was a half-page writeup in the local paper. The first week of his classes, Mr.

Anderson offered a scholarship to the remainder of his classes to a deserving student at one of the local high schools. This resulted in another publicity writeup. This offer was repeated the second week with the other high school with similar publicity results.

Since classes were being offered almost every evening, and occasionally during the day, Mr. Anderson was in effect forced to start a supplemental art supply business for the convenience of the art students. This was done for basic supplies with a min-max inventory control, emphasizing special orders. (Inventory value fluctuated between $300 and $500, with 30-day billings from the wholesaler.) Often a student would enroll for a class, purchase supplies, buy a frame for his produced picture, and leave it for the gallery to sell for a commission.

Shortly after the establishment of the frame shop and school, Mr. Anderson started a small newspaper to generate additional publicity. This was a four-page "folksy" document published and mailed monthly, with additional copies left at the local libraries. The mailing list of about 1200 was derived mainly from visitors to the gallery who had signed the guest book and from the mailing lists of members and friends of the local art clubs. These were later augmented through requests from local social organizations.

Additional publicity was generated through parties given from time to time for established organizations. These were for 15 couples (charge was $5 per couple), and took place on the main gallery floor on Saturday evening after the gallery closed. The women could bring food, while the gallery furnished coffee and music. The gallery also provided an instructor and, for each couple, one easel, a pallette of paints, one canvas, and two brushes. Each couple, under guidance from the instructor, painted a picture. Many fun situations arose. When the paintings were finished a critique was held, and prizes given for the best and the worst. This was followed by dancing and an indoor picnic. In addition to the publicity received through Mr. Anderson's news releases, the organizations' news releases, and word of mouth, paintings, lessons, and frames were sold to many of the participants.

Mr. Anderson now had four complementing sources of revenue: art, picture frames, art school, and art supplies. These were run as separate entitites. Charts and records show that for the first two years of operation, the profit from the art sold offset 85% of the gallery's total operating costs. The other three sources of revenue has virtually no associated costs.

Mr. Anderson faced a dilemma when the time came to decide whether to activate the lease option. The gallery, established with only a small capital investment, was realizing enough profits, and had enough potential, to allow Mr. Anderson to quit his industrial engineering job and run the gallery full time. This was tempting. On the other hand, Mr. Anderson's wife had begun

to teach an art class at the gallery; this activity was deflecting her from completing her college education. Mr. Anderson decided to sell the gallery.

Mr. Anderson attempted to sell the business for several weeks, but then decided that a sale was not feasible. The potential buyers were of two types: (1) young artists with no money but many diverse propositions, and (2) people with money, but ignorant and afraid of the art market. Mr. Anderson decided to have a closeout sale. He ran his first and only paid advertisements: a small display advertisement on the art page of the local newspaper, and a classified advertisement in the "Personals" column.

Everything was sold, except some frames which were returned to the consignor. Mrs. Anderson returned to college, completed her education, and now teaches art at a local high school.

Mr. Anderson felt that the experience had been highly rewarding to himself. He had successfully met the challenge that he had issued to himself. The venture had been highly profitable, having realized a net profit of $30,000 over a two-year period.

DECISION TREES FOR DECISION MAKING*

In this article I shall present one recently developed concept called the "decision tree," which has tremendous potential as a decision-making tool. The decision tree can clarify for management, as can no other analytical tool that I know of, the choices, risks, objectives, monetary gains, and information needs involved in an investment problem. We shall be hearing a great deal about decision trees in the years ahead. Although a novelty to most businessmen today, they will surely be in common management parlance before many more years have passed.

Let us suppose it is a rather overcast Saturday morning, and you have 75 people coming for cocktails in the afternoon. You have a pleasant garden and your house is not too large; so if the weather permits, you would like to set up the refreshments in the garden and have the party there. It would be more pleasant, and your guests would be more comfortable. On the other hand, if you set up the party for the garden and after all the guests assembled it begins to rain, the refreshments will be ruined, your guests will get damp, and you will heartily wish you had decided to have the party in the house.

This particular decision can be represented in the form of a "payoff" table:

	Events and Results	
Choices	*Rain*	*No Rain*
Outdoors	Disaster	Real Comfort
Indoors	Mild discomfort, but happy	Mild discomfort, but regrets

Much more complex decision questions can be portrayed in payoff table form. However, particularly for complex investment decisions, a different representation of the information pertinent to the problem--the decision tree--is useful to show the routes by which the various possible outcomes are achieved.

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*Abridged from Magee, John F. "Decision Trees for Decision Making," *Harvard Business Review.* Vol. 42 (July-August 1964), 126-135.

EXHIBIT I. DECISION TREE FOR COCKTAIL PARTY

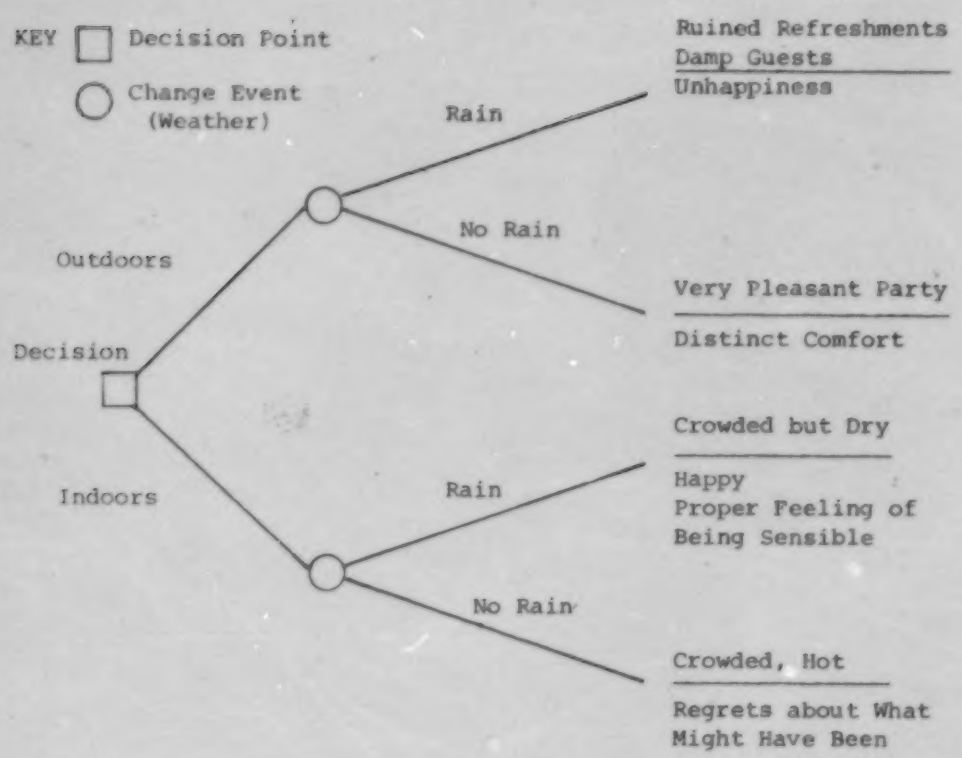


Exhibit 1 illustrates a decision tree for the cocktail party problem. This tree is a different way of displaying the same information shown in the payoff table. However, as later examples will show, in complex decisions the decision tree is frequently a much more lucid means of presenting the relevant information than is a payoff table.

The tree is made up of a series of nodes and branches. At the first node on the left, the host has the choice of having the party inside or outside. Each branch represents an alternative course of action or decision. At the end of each branch or alternative course is another node representing a chance event--whether or not it will rain. Each subsequent alternative course to the right represents an alternative outcome of this chance event. Associated with each complete alternative course through the tree is a payoff, shown at the end of the rightmost or terminal branch of the course.

When I am drawing decision trees, I like to indicate the action or decision forks with square nodes and the chance-even forks with round ones. Other symbols may be used instead, such as single-line and double-line branches, special letters, or colors. It does not matter so much which

method of distinguishing you use so long as you do employ one or another. A decision tree of any size will always combine (a) *action* choices with (b) different possible *events* or *results* of action which are partially affected by chance or other uncontrollable circumstances.

Decision-Event Chains

The previous example, though involving only a single stage of decision, illustrates the elementary principles on which larger, more complex decision trees are built. Let us take a slightly more complicated situation:

You are trying to decide whether to approve a development budget for an improved product. You are urged to do so on the grounds that the development, if successful, will give you a competitve edge, but if you do not develop the product, your competitor may--and may seriously damage your market share. You sketch out a decision tree that looks something like the one in Exhibit II.

Your initial decision is shown at the left. Following a decision to proceed with the project, if development is successful, is a second stage of decision at Point A. Assuming no important change in the situation between now and the time of Point A, you decide now what alternatives will be impor-tnat to you at that time. At the right of the tree are the outcomes of different sequences of decisions and events. These outcomes, too, are based on your present information. In effect you say, "If what I know is true then, this is what will happen."

Of course, you do not try to identify all the events that can happen or all the decisions you will have to make on a subject under analysis. In the decision tree you lay out only those decisions and events or results that are important to you and have consequences you wish to compare.

To sum up the requirements of making a decision tree, management must:

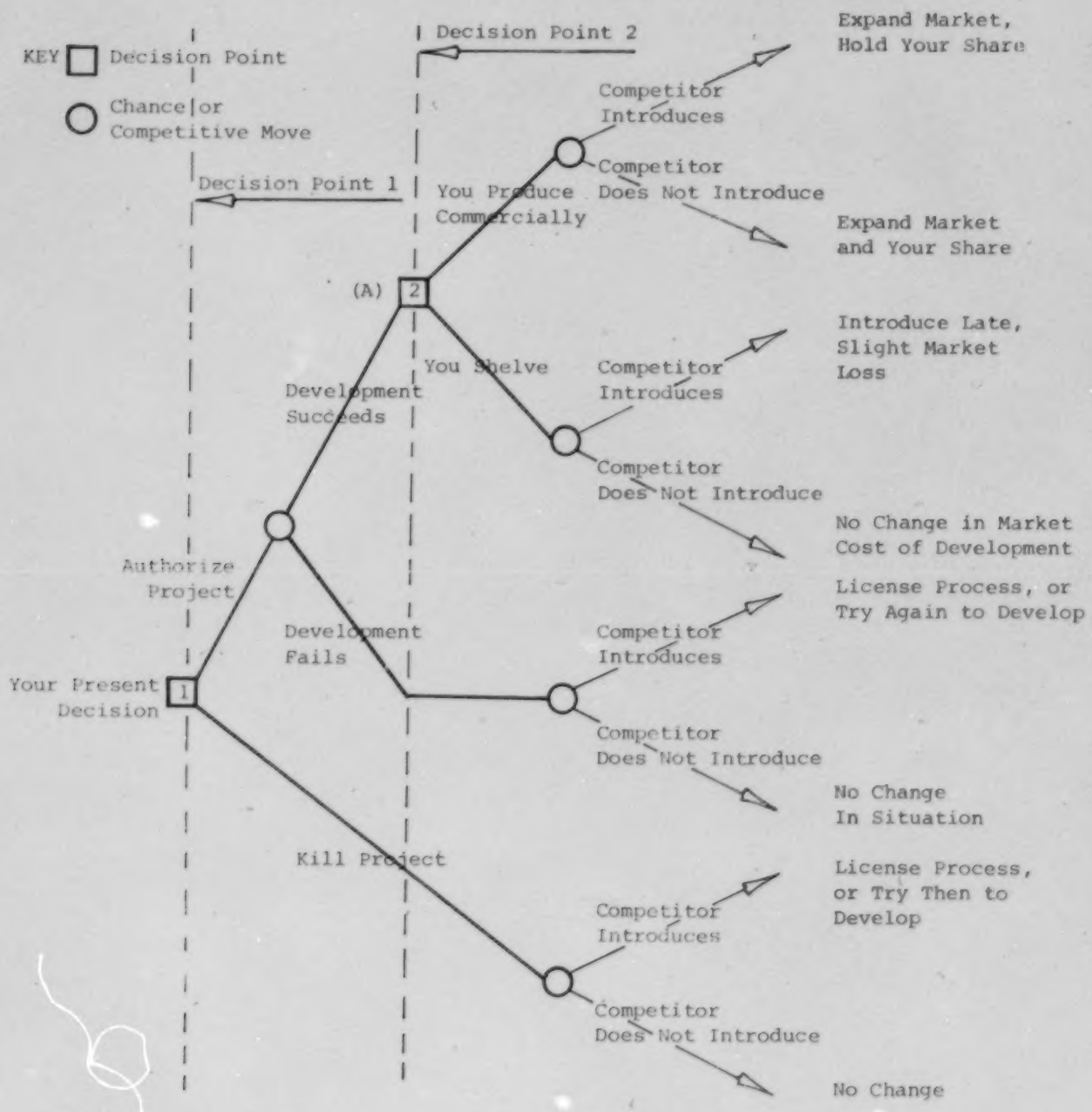
1. Identify the points of decision and alternatives available at each point.

2. Identify the points of uncertainty and the type or range of alternative outcomes at each point.

3. Estimate the values needed to make the analysis, especially the probabilities of different events or results of action and the costs and gains of various events and actions.

4. Analyze the alternative values to choose a course.

EXHIBIT II. DECISION TREE WITH CHAINS OF ACTIONS AND EVENTS



SUBUNIT: ORGANIZING A SMALL ENTERPRISE

OBJECTIVE: Students increase their awareness of the dynamics of organizing a small business.

Recommended class time: Two hours.

ENABLING OBJECTIVES:

1. Students demonstrate an understanding of the dynamics involved in a start up business by designing their own start up strategy based on a case in small groups.

2. Students evaluate and clarify their strategies by participating in a class discussion where they compare the strategies developed in the small groups.

3. Students demonstrate an understanding of entrepreneurial activities involved in organizing a business by placing these activities on the diagram, "The Growth of an Entrepreneur" (Student Information Sheet 19 from sub unit, "Entrepreneurail Decision Making).

RESOURCES: Student Work Sheet 13, "'Mice' for Machines"

INSTRUCTIONAL ACTIVITIES:

- Hand out Student Information Sheet 13, "'Mice' for Machines" and have the students take a few moments to read the short case.

  This activity requires 10 minutes.

- Next, assign the students to small groups (three or four students) and have them elect a recorder who will be responsible for the efforts of the groups. The class assignment is as follows: all students are to act as "Mac." The market area is a geographical area of about a two hour drive from your classroom. (It may be helpful to provide a map of your area with a circle showing a two hour drive radius.)

  Using the information covered in Unit III have the groups answer the questions listed in the Student Information Sheet. The small groups should devise a strategy for getting "Mac's" idea on the market.

  This will require the remainder of the period.

- At the beginning of the next session have the class meet in their small groups and review their strategy for getting "mice" on the market. Help jogg the students' memories by naming the sub units from Unit III.

  Allow the students 10 minutes or so to complete any activity they wish to add such as: Break-Even, Cash Flow, Business Plan, or Market Analysis.

  This activity takes approximately 15 minutes.

- Then have the students reassemble as a class for a class discussion on the case. Have each group explain their strategy for getting "mice" on the market.

  Have each group state the order in which they acquired employees, customers, and financing, and explain their reasons. Compare the responses of the groups.

  Ask each group how much money it would require to start up this business and how they arrived at their figure. Compare the responses of the groups.

  Have each group state where they would go for financial assistance or additional help in setting up their business and have them explain their reasons. Compare the responses of the groups.

  Ask each group if they made a market analysis - why, why not. If they did, what were the results? Compare the responses with the other groups.

  Time for this activity is 25 minutes.

  End this activity by drawing the diagram of Entrepreneurial Growth on the chalkboard. Ask the students to name some decisions they made and ask them to place them on the chart. Most of their comments should fall in the "prospective entrepreneur" category when they are starting up their business.

  This activity should take 10 minutes.

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"MICE" FOR MACHINES*

Malcolm McGruder, an office supplies salesman, has developed a combination leveler-silencer for office quipment which can be placed under the legs of duplicators, keypunch machines, accounting equipment, etc. It permits leveling on uneven floors and reduces machine vibration and noise. It is easily attached, except that because of the varieties of leg construction and weight of equipment, it is best done by someone accustomed to working with such things. People in offices where it has been used agree that it makes for greater calm and quiet and may improve equipment performance and prolong its life. A patent has been applied for.

Thus far, "Mac" has produced a few hundred units only, in three sizes. Production is relatively simple, consisting mostly of standard hardware store items, with one "special" component only, made on a simple metal-forming press Mac bought from a used-machinery distributor. Currently he can make them for 42¢ to 56¢ each and has sold them for $1.65 to $1.87 each. He is certain that in quantity he could reduce costs and prices substantially.

Before he goes much farther, Mac must decide how best to market his "Mice," as he calls them now. Currently, he sells them to his own regular customers and helps install them. Could he sell them to other distributors like his employers? Could he sell them to equipment manufacturers as part of the new units? Would direct mail do the job? How about getting them properly installed? Right now, Mac is confused. He knows he has a good thing, but how does he get it out into the world of business?

As "Mac" make the following decisions:

Identify your product or service.
What are your goals for your company?
Describe the location for your business.
Where is your market?
What is the size of your business?
What is your company's name?
What is the type of ownership you desire?
What is your break-even point?
How much money do you need?
Are there any special taxes or laws to be concerned about?
Can you do this alone or will you need help?
What are the goals for your company five years from today?

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*Baumback, Clifford M.; Kelly, Pearce C.; and Lawyer, Kenneth. *How to Organize and Operate a Small Business*. Englewood Cliffs, New Jersey: Prentice-Hall, Inc., 1973.

SUBUNIT: LEADERSHIP FOR AN EMERGING ORGANIZATION

OBJECTIVE: Students recognize leadership of an emerging organization as a function of the entrepreneur.

Recommended class time: Two hours.

ENABLING OBJECTIVES:

1. Students experience the responsibilities and problems of leadership by playing the game, "Dividing the Loot" and relating the observations from the game to the functions of a "new" entrepreneur, in a class discussion.

2. Students define group and organization and recognize the common distinguishing factors between the two in a class discussion and by developing an organizational chart for a hypothetical small business.

3. Students identify reasons why individuals form or join groups or organizations by listing their own reasons for joining different types of groups, in a class discussion.

4. Students recognize the need for the entrepreneur, as the leader of an emerging organization, to pay discrete attention to both task and maintenance functions by analyzing the role of the leader in the game, "Dividing the Loot" or the role of an individual in a familiar leadership position, in a class discussion.

RESOURCES:

Teacher Information Sheet 16, "Dividing the Loot"
Student Information Sheet 21, "Leadership: A Conception and Some Implications"
Student Information Sheet 22, "What Do We Know About Leadership"
Transparency 14, "Attention to Task and Maintenance Functions"

ADVANCE PREPARATION:

1. There may be a need to announce in an earlier session that the students bring $2.00 each to the first session in this sub unit.

2. Have the students read Student Information Sheets 21 and 22, "Leadership: A Conception and Some Implications" and "What Do We Know about Leadership," before they come to the second session.

INSTRUCTIONAL ACTIVITIES:

- Have 6-12 students play the game, "Dividing the Loot" while the rest of the class act as observers. Use Teacher Information Sheet 16, "Dividing the Loot" for directions.

  Using data from the game, initiate a class discussion on leadership and relate the discussion to the roles or functions of a "new" entrepreneur as the manager of an emerging organization. What are some of the responsibilities and problems that he is likely to face?

  The game and the discussion should not take more than 50 minutes.

- Begin the next session with a discussion of the concepts of group and organization. Ask the students to define a group. It is not any collection of individuals but an association of individuals interacting with one another for reaching a common and shared goal. All organizations are groups too, in the sense that their members have common and "shared" goals, relationships and interactions. Organizations, however, have more explicitly stated goals and are deliberately structured with a clearly defined division of labor and a more or less fixed hierarchy of positions, the people in these positions have more or less well defined roles to perform, with "commensurate" authority.

  Ask the students, as a class, to develop an organizational chart on the chalkboard for a hypothetical small business.

  About 15 to 20 minutes may be needed for this activity.

- A brief discussion on why groups or organizations form is very pertinent to the prospective entrepreneur. Ask the students to name some reasons why (needs) they would want to join: (1) a student organization, (2) a sports club, and (3) a work organization. List these reasons on the chalkboard.

  Indicate that individuals form groups or join groups in order to satisfy their own needs. Refer

to Knickerbocker's article on why individuals join groups: "Because through it or through the group leader they anticipate finding means for satisfying needs (or means for protecting themselves against a threatened loss of need satisfaction)." Point out that a prospective entrepreneur will want to start or buy a business basically to satisfy his own needs but that at the same time, those who will want to work for him will join him basically to satisfy their own needs. Discuss the implications of the possible "clash" of needs and goals arising from this. Bring in the concept of synergism which is defined as "cooperative action such that the total effect is greater than the sum of the parts taken together." In its simplest form, it would mean that if two individuals produced one kilogram of a product each separately, they are likely to produce more than two kilograms of the product--perhaps two and one fourth or three kilograms--if they worked together. (In Greek, Syn = together and Ergon = work.)

Allow 20-25 minutes for this discussion.

Next, introduce to the students the three types of functions members, including the leader in a group, perform (sometimes these functions are called roles):

1. Task functions (goal directed)
2. Maintenance functions (people/group directed)
3. Ego functions (self-directed)

Explain what these functions mean, drawing examples from the game, or by describing the role of a teacher, principal, entrepreneur, etc. Deal with the Task and Maintenance functions more elaborately, especially as they apply to the leader of an emerging organization. Project Transparency 14, "Attention to Task and Maintenance Functions" and emphasize that it is important that the new entrepreneur pay adequate attention to the Maintenance functions early on in the formation of his organization. This, as the diagram suggests, will relieve more and more of the members' time as the group progresses in time to pay attention to the task functions. This style, however, will not be appropriate for emergency or short haul situations.

This discussion may need about 15 minutes.

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DIVIDING THE LOOT*

Goal:	To focus on the responsibilities and problems of leadership.
Group Size:	Six to twelve
Time Required:	50 minutes
Materials Utilized:	Money collected from the group members.
Physical Settings:	Chairs are placed in a circle.
Process:	The teacher asks the class to select a leader on the basis of maximum influence a member has on his peers. This is done before the game is explained.

I. The teacher asks the leader to collect a specific sum of money such as $2.00 from each group member. He then explains that the leader will be reallocating this money on a multiple-criteria basis.

II. The teacher asks the group to act in an advisory capacity in developing the multiple criteria. He may wish to form subgroups to accomplish this task. The leader does not take part in the group discussion but may sit in on it or move from subgroup to subgroup as they are in process. Criteria may include such factors as individuals most responsible for having selected the leader or individuals who ranked highest in peer influence.

III. After criteria suggestions have been made to the leader, he makes his decision as to actual criteria to be used. Any criterion is allowed except one which would result in redistributing the money equally to all members.

IV. The leader alone decides which individuals fit the final criteria and distributes the money accordingly. He then explains his choice of criteria and processes the experience with the group. Discussion of behaviors such as counter-dependence and conflict avoidance may be appropriate to this processing.

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*Adapted from Jones, John E. and Pfeiffer, J. William. *Structured Experiences for Human Relations Training.* Vol. III. *Series in Human Relations Training.* Iowa City, Iowa: University Associates Press, 1972.

LEADERSHIP: A CONCEPTION AND SOME IMPLICATIONS*

Motivated by the conviction that some systematic frame of reference, however rough, is better than none, we offer the following analysis of leadership for what it may suggest to those who are interested. While these are in part speculative considerations, they have been tested for usefulness through some years of practice.

Much of the literature on leadership represents an attempt to study the leader as an entity possessed of characteristic traits and occupying rather inertly a status position relative to other individuals who are not too clearly related to him.[1] Actually, the leader emerges as a consequence of the needs of a group of people and of the nature of the situation within which that group is attempting to operate. Stogdill,[2] after an exhaustive survey of the literature, concludes that "leadership is not a matter of passive status, or of the mere possession of some combination of traits. It appears rather to be a working relationship among members of a group, in which the leader acquires status through active participation and demonstration of his capacity for carrying cooperative tasks through to completion."

Although the evidence does not support the romantic conception of the leader endowed with magic attributes, this conception is widely held. One wonders why it persists with such vitality. Perhaps the fact that each of us commenced his life under the guidance of a leader--a big man, of tremendous endowment, with almost limitless power--would help to explain the prevalence and tenacity with which this Leader concept is held.

Each of us had a father, a prestige figure, magically endowed. Many of us found security in that figure. Since we continue to need security, perhaps we continue to carry with us out of childhood the father symbol, the Leader. If such an assumption may be accepted, then we can readily see that the leader, or the man whom we conceptualize as a leader, should be larger, more intelligent, more mature, more cultured, more impressive than we.[3]

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*Abridged from: Knickerbocker, Irving. "Leadership: A Conception and some Implications." This material is excerpted from the copyrighted publication Leadership in Action, published by NTL Learning Resources Corporation, Fairfax, Virginia and used by permission.

[1]A notable exception is "Functions of the Executive" by Chester Barnard. Cambridge, Massachusetts: Harvard University Press, 1938.

[2]Stogdill, Ralph M., "Personal Factors Associated with Leadership: A Survey of the Literature," *Journal of Psychology*, Vol. 25 (1948) 35-71.

[3]Ibid.

Individuals so endowed relative to the group with which they are associated statistically would be seen more often as potential leaders and statistically be placed more often in a position where they might practice leadership, and finally, statistically more often might become leaders. All this could happen frequently enough to give us the feeling that leaders somehow are different and permit us to make the misleading research finding that the leader is an entity who can be considered apart from his functional relationship to his followers.

Following our assumptions further, we should not be surprised to find that men who have achieved through function a position of leadership have usually possessed many of the mythical attributes of the leader. They serve as ink blots onto which people project their desires for security and dependence. To be sure, the degree of such endowment may be expected to vary with the closeness of the association between leader and followers. It is more difficult for their immediate associates to see them as leaders magically endowed. A consideration of Hitler and Roosevelt as seen by remote followers and immediate associates may lend some reality to this hypothesis.

It is interesting to speculate upon the possibility of the leader created by concerted action through various media of publicity in the absence of any true functional relationship between leader and followers. It doesn't seem impossible that such a leader might exist as an entity devoid of functional followers, but becoming for people the symbol, Leaders. Certainly for most people the great leaders of history have been only a symbol. Any functional relationship between the people and the leader has been remote, if it existed at all. Yet the leader in each case has arisen through performing certain functions relative to some group somewhere, sometime. It would be interesting to compare the attitudes toward the leader of individuals from two groups, one composed of those functionally related to him as leader, the other composed of those for whom he existed as the symbol, Leader. From the historical literature there would appear to be sharp differences between the man and leader to his functional followers and the same Leader to those people who were not functionally related to him.

It would appear then that the usual notion of the leader serves to cover two quite separate concepts.[4] The first is an emotionally held conviction that some men are Leaders and as such are set apart from the common horde. These Leaders do not owe their position to their functional relationship to followers, but to an almost magical aura which surrounds them. They have godlike attributes which they have not earned but rather with which they have been endowed.

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[4]Van Dusen, A. C. "Measuring Leadership Ability," *Personnel Psychology*. Vol. 1, No. 1 (1948), p. 68.

Our hypothesis is that this concept arises in our culture out of the[4] relationship of the very young child with his father. An examination of the leader concept in other cultures or an analysis of differences between leader concepts among male and female in our own culture should help test this hypothesis. If the hypothesis be granted, then the statistical appearance of certain traits ascribed to the Leader, and the statistical appearance of leaders with these traits are not surprising. Nor is it surprising that experimentally devised but functional tests of leaders do not bears out the coincidence of the specific traits and the function of leadership.

The other concept--functional leadership--places emphasis not on a fixed set of personal characteristics nor on particular kinds of leadership behavior, but upon the circumstances under which groups of people integrate and organize their activities toward objectives, and upon the way in which that integration and organization are achieved. Thus the leadership function is analyzed and understood in terms of a dynamic relationship. A leader may acquire followers, or a group of many people may create a leader, but the significant aspects of the process can be understood only in dynamic, relationship terms. Evidence and speculation to date make it appear that this functional or operational conception of leadership provides the more useful approach.[5]

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We need some schema which will emphasize this relationship between leader and led as a dynamic pattern. As an aid to thinking about such relationships, we have developed the following simple schema[6]:

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[4] Tead, Ordway. *The Art of Leadership.* New York: McGraw-Hill, 1935, p. 20, p. 61
Jenkins, William O., op. cit.
Stogdill, Ralph M., op. cit.
Whitehead, T. N. *Leadership in a Free Society.* Cambridge, Massachusetts: Harvard University Press, 1936, p. 68.
Stogdill, R. M. and Shartle, C. L. "Methods for Determining Patterns of Leadership Behavior in Relation to Organization Structure and Objectives," *Journal of Applied Psychology.* Vol. 32, No. 3 (1948) pp. 286-291.

[5] In the interests of brevity, only three of a half dozen or more interrelated generalizations are here mentioned. They are closely integrated with others outlined in "The Staff Function in Human Relations" by Douglas McGregor, *The Journal of Social Issues.* Vol. IV, No. 3 (Summer 1948).

1. Existence for each individual may be seen as a continual struggle to satisfy needs, relieve tensions, maintain an equilibrium.

   Each of us uses many different means for the satisfaction of his needs. We use muscular skills, personal appearance, intelligence, knowledge. We use tools, food, money. The means we habitually use may become needs themselves. In each specific case, however, some means is used for the satisfaction of a need or of a pattern of needs.

2. Most needs in our culture are satisfied through relationships with other individuals or groups of individuals.

   Other people as it were possess the means which we would use to satisfy our needs. We do not grow our own food, make our own clothes, provide our own transportation, educate ourselves, or even provide our own recreation. We satisfy such needs, and many others, through means controlled and provided by others. Often another person may possess the means in the form of money, skill, knowledge, or tools which we need as means for the satisfaction of our needs. We attempt then to establish a relationship which will be a means to gain the use of something which in turn will be a means to need satisfaction. To the manager the worker possesses the means of skill or hands. Through relationship with the worker as means, the manager hopes to obtain the further means he requires to satisfy his needs. To the worker, the manager controls the means of job and pay. So all of us seek through relationships with others the means, or the means to the means, for satisfying needs.

3. For any individual the process of employing his relationship with other individuals as means for the satisfaction of his needs in an active rather than a passive process.

   He does not wait passively for the occurrence of such relationships as will provide means for need satisfactions. He institutes appropriate relationships or utilizes those which already exist toward the end of satisfying his needs. The relationship is thus an active, striving one, through which each party is operating to augment his means for need satisfaction (or to protect the means already at hand). Since each individual possesses some quantum of means small or large which some other individual might utilize for need satisfaction, each individual through his control of those means has some bargaining power relative to others. The control of means ("scarce means," the economists call them), which others desire for the satisfaction of needs, constitutes what we ordinarily call power. The use of power (or "means control") to gain the means for need satisfaction from others appears to be the essential aspect of all human relationships. The individual who controls many or scarce means which other people seek to utilize for need satisfaction is in a position of power. Such power may be used by an individual either to reduce the means of other individuals (punishment), or to augment their means (reward) toward the ultimate end of inducing these other individuals to provide him with means for the satisfaction of his own needs.

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This approach furnishes us with the bare essentials of a schema for considering the dynamic aspect of the relationship between people. That relationship appears to consist essentially in an active striving to procure through other people the means for need satisfaction. The relationship is, of course, bilateral, each party seeking means through the other. We should expect an individual to attempt to establish a relationship only when it appears to promote means and to maintain it only so long as it continues to do so. We might also predict that the greatest number of individuals would attempt to establish a relationship with that individual who in their perceptual field gave greatest promise of providing means.[7] Finally, we might predict that individuals would attempt to break off relationships with and avoid those individuals who threaten to reduce their means, and if they could not do so would react protectively and possibly aggressively.

Let us consider a group of people including one who would be designated by the others as the leader if we asked. Let us make a general application of our schema to such a situation. We have a leader attempting to find a means through the activities of the group members for the satisfaction of his needs. At the same time the group members are in the relationship with him simply because he appears to them the best means available for the satisfaction of such of their needs as can be satisfied through this group.

Let us ask some questions concerning the individuals in the group.

Question 1 Why are the individuals in the group?

Because through it or through the leader they anticipate finding means for satisfying needs (or means for protecting themselves against a threatened loss of need satisfaction). If we run over groups that we know well--such as a labor union, a church, a business association, a social club, etc.--we seem to find that we joined such groups because they appeared to offer means. We leave them when they no longer seem to do so.

Question 2 Why do the individuals accept direction of their activities?

Because this behavior appears to them to provide means for the satisfaction of their needs. The leader is seen as a means; through the relationship with him, needs are satisfied (or a reduction in need satisfaction is prevented). The leader may promise a chicken in every pot, a glorious future, or more money for less work. If the group member sees satisfaction of needs in the direction the leader indicates, if he believes the leader will serve as a means for getting those satisfactions, the group member follows. On the other hand, the leader may say, "Follow me, or disaster may befall you," "Follow me, or I'll

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[7]Jennings, H. H., in *Readings in Social Psychology* (eds., Newcomb & Hartley), New York: Henry Holt and Company (1947), p. 412.

see to it that you rue the day you refuse," "Follow me or else . . ." Again, if the group member believes that the leader controls the relevant means, if the group member sees a threat to his available means in failing to go in the directions the leader indicates, the group member follows. The individual then is related to the leader as a means to need satisfaction or as a means to protect available means from reduction. He follows and permits his activities to be directed because he believes that to do so will get him what he wants.

Question 3 Why does the leader arise?

Even in the simplest situation, such as when a group embarks on discussion which will eventuate in a decision of some sort, a leader seems to be essential. Operationally, it is difficult for a group to speak or act except through an individual member. If everyone talks at once, no one can hear or attend. If everyone plans at once, or acts at once without a plan, there is no group but rather a collection of individuals planning or acting. For the group to act as a unit or to show organization, it is necessary that individual members speak for it. The necessity for an ordering of discussion is readily apparent as a means to a group. Such ordering must come through the action of an individual. Someone must verbalize the necessity for order, the methods of ordering, the final agreement on methods, and the agent. Some individual must order and in doing so he provides simple but necessary means for the group. Even at this very simple level, the necessity for a leader is real and apparent to most groups. To the extent that the objectives of the group require greater diversity of effort and greater coordination, the need for a leader will increase.

Now let us look at the leader and ask some questions about his behavior. Let us again answer the questions in terms of our frame of reference and examine the answers for the sense they make.

Question 4 How is the leader to be characterized?

The leader is not a disembodied entity endowed with unique characteristics. He is the leader of a group and is the leader only in terms of his functional relationship to the group. Therefore, the part he plays in the total dynamic pattern of behavior of the group defines him as a leader. He is a leader not because he is intelligent, skillful, or original, but because his intelligence, skill, or originality is seen as a means by the group members. He is a leader not because he is relatively imposing of stature, well-dressed, fluent of speech, or from a higher socioeconomic background, but because these factors tend to predispose group members to expect better means from their possessor.

The leader is followed because he promises to get, or actually gets, his followers more nearly what they want than anyone else. If he does so, he

will be followed, be he small, insignificant-looking, and relatively speechless. In our culture we have some predisposition to expect people with certain characteristics to provide better means. Also certain characteristics such as intelligence may in fact enable certain individuals to provide better means. However, the leader is a product not of his characteristics, but of his functional relationship to specific individuals in a specific situation. As a result, the variability of leaders' characteristics upsets all but the broadest statistical efforts at analysis.

Question 5 How does the leader arise?

The leader appears to arise in one of two ways. First, as a result of agreement among members of a group that some individual serves as better means than any other. Such agreement may be wholly predictive, a matter of guess-work, or may be the result of experience among various members. The agreement of the members of a group may be verbalized or tacit. The member of a group who suggests, "Let's go get a cup of coffee," may collect a following and for a minute or so be a leader simply because he has voiced at an instant an operation which appears as a means to other members. The member of a group who is known to possess some special skill which is at the moment a necessity may be turned to and be expected to function as a leader because of his possession. In our culture it is not unusual for any group to make it first a business to choose a leader.

The second way in which a leader may arise is as a result of objectives which require a group of people for their achievement. An individual, for example, wants to accomplish something which can be accomplished only if he can direct the activities of a number of other people. He seeks then to find a group, or an assortment of individuals, who will accept his direction of their activities. If our basic assumptions above are correct, he will acquire "followers" only if, in their eyes, following him promises to result in increased need satisfaction (or in avoidance of reduction of need satisfaction).

Question 6 Why does the leader lead?

Through leading, the leader obtains means of satisfying his needs. Perhaps he finds satisfaction in the operation of leading, in manipulating people or in helping them. Perhaps the prestige and recognition accorded the leader are important sources of satisfaction. Or, to take the most obvious aspect, perhaps the result of the activities he directs is itself the means he seeks.

Consider, for example, the industrial manager. He may obtain satisfaction from his leadership role in a variety of ways. He may obtain satisfaction simply from being "the boss," from being able to tell people what to do, to control their activities and their satisfactions. He may find satisfaction in being regarded as their benefactor, in their gratitude for his favors, or their

fear of his punishments. He may enjoy the way he is treated by those outside the organization who are impressed with his title and position. Finally he may obtain a higher salary, promotion, and recognition from the achievements of the group whose activities he directs.

The motivation of the individual certainly plays a part in the likelihood of his leading. Many adults seem to dislike to lead. Others lead occasionally when, by reason of some special skill or knowledge they possess, it seems to them or to the group reasonable that they should do so. Some lead when only through the concerted activities of a group of people can they find a means to some need satisfaction. Still others enjoy leading. The actual operation of leading is a means to need satisfaction for them. Such individuals are apt to seek situations in which whatever means they have will be in demand. They attempt to acquire the skills which will be means, and a manner which will indicate their possession of means. If there are "born leaders," they arise from this group. Due to the many objectives in our culture which can be achieved only through group effort, many organizations arise. A great many people find leading--that is the job of a superior in an organization--to be the means through which they satisfy important needs.

Question 7 What is the function of the leader?

The function of the leader is to organize the activities of the members of the group toward the accomplishment of some end through controlling means for the satisfaction of the relevant needs of the members of the group. When the leader has been chosen by a group of people who have decided upon an objective to be attained, the leader's function is obvious and his job is relatively simple. When the leader, however, is not chosen by the group, but appointed and given means of control by someone outside the group, or appoints himself because he requires a group to achieve his purposes (as in business or military organizations), his job is considerably more difficult. In such circumstances the objective to be attained through the activities of the group is the objective of those who appointed him leader. This may not be the objective of the group he is to lead. Nevertheless, he must appear to the people he is to lead as a means for their need satisfaction or they will not accept his direction.

Sometimes, as a consequence, the appointed leader is an individual who would never have been chosen by the group he leads, but one who cannot be rejected because he controls important means for need satisfaction. He is "accepted" as the lesser evil. He appears to the group as a means only in the negative sense. Nevertheless, even in such extreme cases, the leadership function remains the same.

Question 8 Can all the various kinds of leaders be accounted for by this same frame of reference?

The term "leader" is certainly used to designate many different positions and functions. It may be used to indicate a figurehead, a position in an organization, a self-appointed dictator possessed of sufficient "or else" power to force a following, or an individual who has been designated as leader by voluntary action of the group. To cut through the diverse usage which has been made of the term "leader," we might say that to the extent that any individual succeeds in collecting an actual following, he does so because he controls means.' The dictator may be followed because he has created or made use of a situation in which all alternatives to following him are less desirable as means. The superior in the formal organization, for instance in industry, may often occupy a position similar to that of dictator without being particularly aware of it. The man who can control means available to other people can use his control to force that alternative behavior which appears a better means within the restricted choice although a worse one within a larger but forbidden frame of reference. To the extent that the means controlled are scarce means, to that extent limiting alternatives as a means of control is possible. The leader chosen by voluntary action of a group is seen as the best means rather than the lesser evil. But all leaders, whatever their personal objectives, must serve as means for their followers, or they will not be leaders (i.e., they will have no followers).

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Our conclusions from the above discussion of the nature of leadership may be summarized as follows:

1. The symbolic or romantic conception of the Leader, although widely prevalent, does not explain the phenomena of leadership. It exists, I have suggested, as a consequence of the nature of the individual's relationship with his father in early childhood. It represents a magical, perhaps wishful, attempt to find security through surrogate relationships resembling that early one. The leader, realistically and factually, is not a person endowed with a list of characteristics which make him what he is.

2. When conceived in terms of the dynamics of human social behavior, leadership is a function of needs existing in a given situation, and consists of a relationship between an individual and a group.

3. The functional relationship which is leadership exists when a leader is perceived by a group as controlling means for the satisfaction of their needs. Following him may be seen either as a means to increased need satisfaction or as a means to prevent decreased need satisfaction.

4. The leader may "emerge" as a means to the achievement of objectives desired by a group. He may be selected, elected, or spontaneously accepted by the group because he possesses or controls means (skill, knowledge, money, associations, property, etc.) which the group desires to utilize to attain their objectives--to obtain increased need satisfaction.

5. On the other hand, the leader may appoint himself or be appointed by someone outside the group to be led. In this instance leadership is a means to the achievement of the leader's objectives (or the objectives of those who appoint him). However, there will be no relationship with the group--no followers--except in terms of the leader's control of means for the satisfaction of the needs of the followers. Either the leader's objectives must also be those of the group (and he himself be seen by the group as a means to their attainment), or else accepting the leader's direction must be seen by the group members as the best available means to prevent reduced need satisfaction.

WHAT DO WE KNOW ABOUT LEADERSHIP?*

Whether we are administrators, teachers, or supervisors, we constantly find ourselves functioning in leadership capacities. We are interested in the development of the leadership of the youth in our schools and in the leadership development of the adults who are working with us.

Frequently, the various fields of psychology or education have advanced different theories of what makes for good leadership. At look at some of these varying points of view may improve our understanding of leadership.

1. Trait Approach

   Over the past 50 years, there have been hundreds of studies made comparing the physical, intellectual, or personality traits of leaders and followers. Frequently, these studies come up with a list of traits that make for "good" leadership. On the whole, this approach to leadership has been disappointing. Only 5% of the traits in over 106 such studies appeared in four or more studies.

   Inasmuch as these results indicate that a variety of persons with different personality, environmental, and hereditary backgrounds can make successful leaders, the trait approach seems to be inadequate.

2. Situation Approach

   The situational approach is based upon the hypothesis that a leader's behavior may vary from one setting to another. The different situations require different leadership behavior. Many variables enter into producing leaders. However, there are only two types of forces which influence how a leader arrives at a leadership position:

   Somtimes people are motivated by personal drives to become leaders; sometimes they find themselves in leadership positions as the result of external forces, of which they may or may not be aware. Usually both factors are at work. (See Diagram 1, next page.)

3. Behavior Approach

   Another approach has been to analyze the kinds of functions which people carry out when they are in positions of leadership. The kind of leadership position a person holds will determine the degree to which he carries out certain functions.

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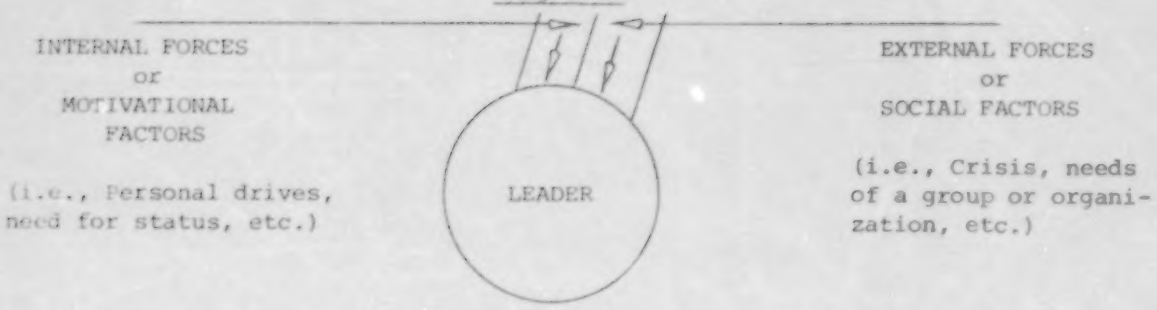
*Reprinted from: Lippitt, Gordon L. "What Do We Know about Leadership?" *Leadership in Action*.

Diagram 1



In these studies it has been found that most leaders perform, to one extent or another, four major functions:

(1) A leader may perform a symbolic function, such as the queen of England performs at present.

(2) Or a leader may perform primarily a decision-making function. This could be exemplified by the political "boss," who makes decisions behind the scenes to be carried out by other individuals.

(3) Another function that most leaders perform in one degree or another is giving information or advice.

(4) A function that is common to most positions of leadership is the one of initiating plans.

Of course, all four of these functions are indispensable to people who are in positions of leadership. Studies indicate, however, that some jobs will make certain behavior more of a requirement than do other jobs.

4. Styles-of-Leadership Approach

In the past 15 years a great deal of attention has been given to investigating what kind of group climate is created by different styles of leadership behavior. Studies done at the University of Iowa in 1938 and 1940 included a thorough investigation on the effects of different styles of adult leadership behavior on groups of young people.

These studies identified the three styles of leadership as autocratic, laissez-faire, and democratic. The basic difference in these three styles is the location of the decision-making function. It resides in the leader in the autocratic group, in the individual in the laissez-faire group, and in the group in the democratic situation.

Studies of styles of leadership with adult groups in the fields of industry, government, and large organizations indicated that a benevolent-autocratic leadership prevailed that was different from the democratic, laissez-faire, and autocratic styles of behavior. Apparently most of such leadership has the same intent as democratic leadership, but the benevolent-autocratic leader does not possess the basic skill in human relations which permits the problem-solving approach in his work with others.

Research and experience subsequent to these studies appear to indicate that it is incorrect to stereotype a leader as being one type or another. Leaders tend to vary their behavior according to the situation.

5. Functional-Leadership Approach

This concept of leadership seeks to discover what actions are required by groups under various conditions if they are to achieve their objectives and how different members take part in these actions. Leadership is viewed as the performance of those acts which are required by the group.

The group-functions approach to leadership incorporates the other approaches discussed, except for the trait concept. Groups differ in a variety of ways. Actions vary from one group to another. The nature of leadership acts will accordingly vary from group to group. Situational aspects will determine what functions are needed and who will perform them (e.g., nature of the group's goals, structure of group, attitudes of members).

There appear to be two main classifications of leadership needs in groups: The achievement of the group goal and the maintenance or strenthening of the group itself. Any specific behavior may be helpful for both or favor one at the expense of the other.

For example, a group may be so intent upon maintaining good relations that it avoids friction at all costs, thereby retarding its problem-solving process. On the other hand, wise solution of a problem may help the solidarity of the group.

The distribution of leadership functions in a group occurs in several ways. Usually, in a mature group, members will assume responsibility for group roles necessary for effective group functioning. Studies and experiments indicate that groups which distribute leadership functions get "better" results (e.g., greater productivity, higher morale).

Studies of the roles of group members show that there tend to be group-centered, task-centered, and self-centered member functions. Studies of the effects to these roles indicate that certain functions are required for a group to make a decision, come to a conclusion, or resolve a conflict.

Some of the group-building and maintenance functions are: encourager, feeling-expresser, harmonizer, compromiser, gate-keeper, standard-setter, consensus-tester, follower.

Some of the work-doing functions are: initiator, information-seeker, information-giver, opinion-seeker, clarifier, elaborator, summarizer.

Functional leadership means that group members have a shared responsibility to carry out the various tasks of leadership. The designated leader, however, has a responsibility for being sensitive to those functional needs and for seeing that they are taken care of.

Problems of leadership cannot be separated from problems of group functioning. To understand leadership, we must understand groups.

One observation frequently made by leaders is: "Democratic or problem-solving leadership is all right, but it is too time-consuming, and I have a job to get done."

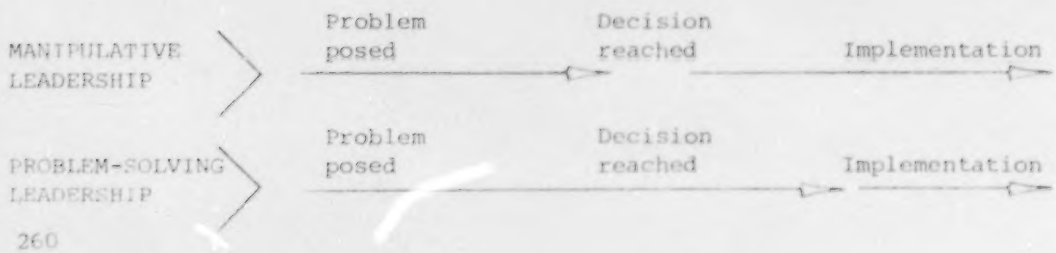
It is true that when reaching a decision is the sole objective, problem-solving leadership usually takes longer than manipulative or autocratic leadership. However, studies show that problem-solving leadership can be more effective even from the time point of view if we consider the total time elapsed from the emergence of a problem to its implementation.

Diagram 2 shows that although problem-solving leadership takes longer to reach a decision, implementation is much more rapid than in the case of manipulative leadership. This is because members of a group that participates in making the decision feel more responsible for carrying it out.

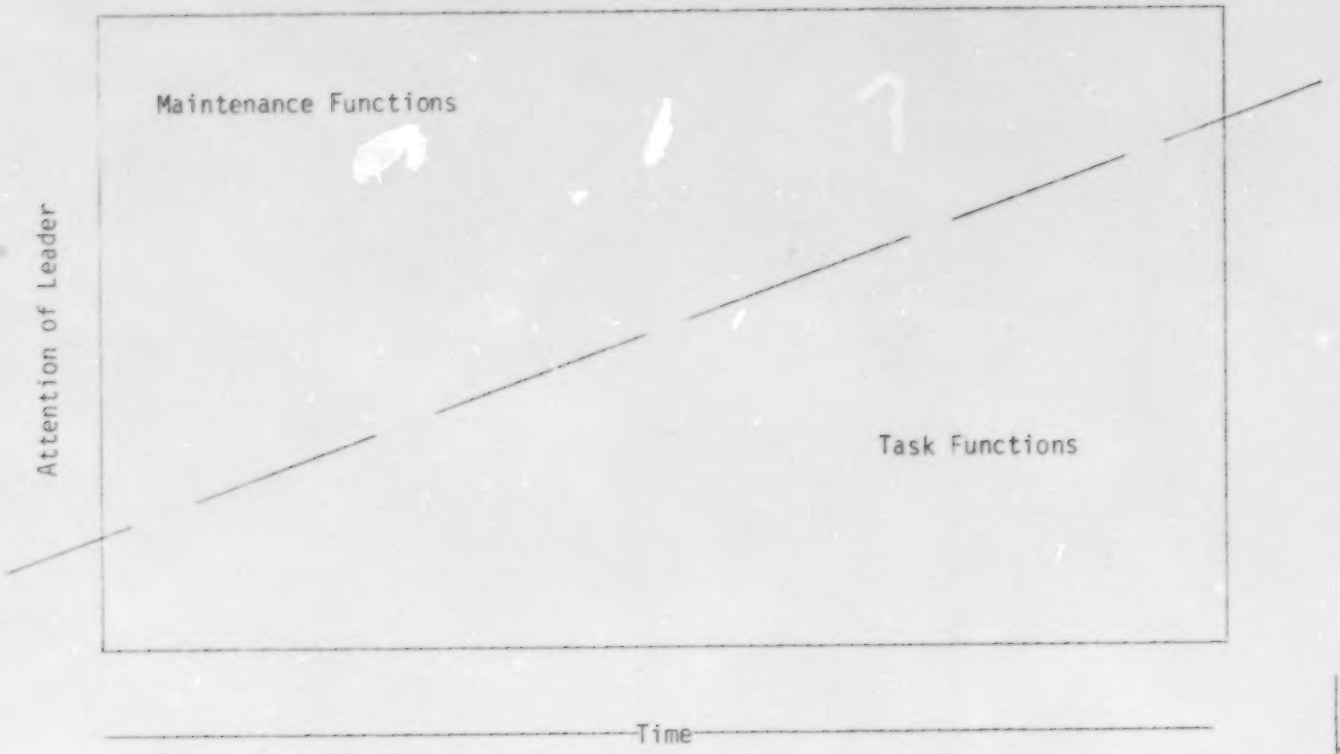
Practice of Democratic Leadership

The implications of these different approaches to leadership seem important if we realize that the strength of any democracy is directly proportional to the practice of it by its citizen leaders. If democratic leadership is to be practiced, it needs to be understood in its operational terms so that as leaders and trainers of leaders we can make real our understanding of the democratic processes.

Diagram 2



ATTENTION TO TASK AND MAINTENANCE FUNCTIONS



Leadership for an Emerging Organization
Transparency - 14

SUBUNIT: MANAGING A SMALL BUSINESS

OBJECTIVE: Students increase their awareness of what is involved in being the owner-manager of a small business.

Recommended class time: Two hours.

ENABLING OBJECTIVES:

1. Students increase their awareness of the concept of management by listing managerial responsibilities on the chalkboard during a class discussion.

2. Students demonstrate an understanding of the dynamics of managing a small business by developing their own policies for a selected business with the help of a guideline in small groups.

RESOURCES:

Student Information Sheet 19, "The Growth of an Entrepreneur" from sub unit Entrepreneurial Decision Making
Student Information Sheet 23, "Managing Your Business"
Student Work Sheet 13, "Mice for Machines" from sub unit Organizing a Small Enterprise
Student Work Sheet 14, "'Mac' the Manager"
Student Information Sheet 24, "You're the Man in Managing"

INSTRUCTIONAL ACTIVITIES:

- Introduce the concept of management by defining management[1] as all activities of an entrepreneur (or executive) undertaken to accomplish useful work through other people. It is the key to success in business. Managing is the process used by businessmen to cope with changes in the environment that affect their businesses and maintain or increase their rate of growth. You may want to draw the diagram, "The Growth of the Entrepreneur" (Student Information Sheet 19 from sub unit Entrepreneurial Decision Making) on the chalkboard to illustrate this point.

  Entrepreneurs are owner-managers. Ask the students to describe the owner-manager's situation and name some of his responsibilities. Ask the students what kinds of decisions the owner-manager must make. List their comments on the chalkboard. They should fall in the following areas of responsibility:

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[1]Broom, H. N., and Longenecker, Justin G. *Small Business Management*. Cincinnati, Ohio: South-Western Publishing Company, 1971.

Buying
Producing
Pricing
Selling
Personnel
Record Keeping

This activity will take approximately 15 minutes.

- Next distribute Student Information Sheet 23, "Managing Your Business" and briefly introduce these responsibilities with the class. (This should take 10 minutes.)

Review the "Mice" case briefly based on the results of the discussion in the session on Organizing a Small Business. Make sure students understand that the business is now established and is in operation.

Time for this activity is 15 minutes.

- Assign students to the same small groups used in the sub unit Organizing a Small Business. Students are to assume the role of "Mac" and are to plan how they would deal with their owner-manager responsibilities. Use Student Work Sheet 14, "'Mac' the Manager" and Student Information Sheet 23, "Managing Your Business."

Have the students meet in small groups for the remainder of the session.

This should take approximately 20 minutes.

- At the beginning of the next session have the students again meet in small groups and continue as "Mac."

Time for this activity is 30 minutes.

- Have the groups reassemble and compare their plans for administering their responsibilities. Stress important managerial decisions/functions in each area of managerial responsibility, for example:

Buying: The advantages of buying from only a few suppliers.

Producing: Advantages of job lot production to small business.

Price: The importance of competition in pricing.

Selling: The importance of the personal sales effort for a small business.

Personnel: Writing down the job duties before interviewing.

Record Keeping: The three questions used to evaluate the effectiveness of records:

1. How will this record be used?
2. How important will the information be to me?
3. Is the information available somewhere else in as good a format.

End this session by distributing Student Information Sheet 24, "You're the Man in Managing" and have the students briefly read the suggestions.

Time for this activity is 15 minutes.

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MANAGING YOUR BUSINESS*

Buying:

Advantages and disadvantages of spreading the purchases among many suppliers and concentrating the purchases with a few.

Advantages of spreading the purchases: Most favorable prices and best promotional material, in this way you can purchase the items from each supplier which are most popular with customers.

Advantages of concentrating purchases:

1. You can receive more help and attention from suppliers who know you are giving them most of your business.
2. Smaller inventory investment.
3. Having larger purchase orders may make you eligible for larger discounts.
4. Simplifies your credit problems.
5. If you are buying merchandise for resale--you may become known by the community as the seller of certain brand merchandise.
6. If you are buying goods to make into another product it will be easier to maintain a fixed standard in your product.

Producing:

Products may be either consumer or industrial. Consumer Products are ready for consumption while Industrial Products are to be used for further manufacturing.

Products may be produced in three ways:

1. Standard basis: Modern Mass Production uses highly repetitive operations to produce large quantities of standard items.

2. Job lot or batch basis: Used when the customers demand variety or wnat products made to particular specifications. Some custom manufacturers produce only "one of a kind," while other may produce a substantial volume of similar products, but fewer than mass production.

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*Adapted from: Small Business Administration. *Starting and Managing a Small Business of Your Own. Starting and Managing Series.* Vol., 3rd edition. Washington: U.S. Government Printing Office, 1973.

3. Process basis: When products can only be produced by a controlled sequence of operations. Once the process is begun it must be continuous for physical and economic reasons. Examples are: fruit preserves, juice drinks, bakery products.

Advantages of job lot and customer production to the small manufacturer:

1. The presence of the owner-manager motivates productivity.
2. Job lots and custom production present a number of difficulties to large manufacturers as the job lots require a flexible organization with a staff that is able to do many tasks. Custom manufacturing requires a highly skilled work force. This is easier for smaller manufacturers to do.
3. The ability to produce a narrow line of products.
4. Products based on seasonal cycles, where styles changes--for instance, clothing, jewelry.
5. Products requiring fast service--printing, specialty chemicals.
6. When heavy products require local manufacturing facilities and fast service--barrels, upholstery and mattresses.

Pricing:

Competition is the most important factor in pricing.

Keep in mind the dangers of overpricing or underpricing:

If prices are too low: They may not cover expenses.

If prices are too high: You may not be able to make a profit because you are unable to build up sales volume.

Selling:

There are basically three methods used to sell:

Personal sales effort
Advertising
Display (including packaging)

Approach selling carefully as overselling can be a bad thing. Also, personal sales effort is probably the most important method for selling.

Personnel:

The owner-manager selects and trains their personnel. Before interviewing--write down the duties and then look for the applicant. Sources of new employees are:

1. Suggestions of friends, business acquaintances, employment men, and others.
2. Your nearest United States Employment Service office.
3. Placement bureaus of high schools, business schools, and colleges.
4. Trade and industrial associations.
5. Employment agencies.
6. Clergymen, the WMCA, the YWCA, and similar sources.
7. Want ads in local newspapers.
8. The voluntary applicant.

Faulty training can be avoided by:

1. Allowing sufficient time for training.
2. Not expecting too much from an employee in too short a time.
3. Having the employee learn by performing under actual working conditions, with close supervision.
4. Following up on your training.

Record Keeping:

Record keeping permits the owner-manager to see, in advance, the direction his company is going by answering questions like:

1. How much business am I doing?
2. What are my expenses? Which expenses appear to be too high?
3. What is my gross profit margin; my net profit?
4. How much am I collecting on my charge business?
5. What is the condition of my working capital?
6. How much cash do I have on hand and in the bank?
7. How much do I owe my suppliers?
8. What is my net worth; that is what is the value of my ownership of the business?
9. What are the trends in my receipts, expenses, profits, and net worth?
10. Is my financial position improving or growing worse?
11. How do my assets compare with what I owe? What is the percentage of return on my investment?
12. How many cents out of each dollar of sales are net profit?

Records are required to substantiate:

1. Your returns under Federal and State tax laws, including income tax and social security laws;
2. Your request for credit from equipment manufacturers or a long from a bank;
3. Your claims about the business, should you wish to sell it. But, most important to you, you need them to help increase your profits.

The amount of records required by an owner-manager varies with the type of business he is involved in. Here are some questions to ask yourself in evaluating the importance of a type of record for your business:

1. How will this record be used?
2. How important will the information be to me?
3. Is the information available somewhere else in as good a format?

Types of Records:

Inventory and Purchasing (These records provide facts to help with buying and selling.)

Inventory Control Record
Item Perpetual Inventory Record
Model Stock Plan
Out-of-Stock Sheet
Open-to-Buy Record
Purchase Order File
Open Purchase Order File
Supplier File
Returned Goods File
Price Change Book
Accounts Payable Ledger

Sales Records (These records reveal facts to determine sales trends.)

Record of Individual Sales Transaction
Summary of Daily Sales
Sales Plan
Sales Promotion Plan

Cash Records (These records show what is happening to cash.)

Daily Cash Reconciliation
Cash Receipts Journal
Cash Disbursements Journal
Bank Reconciliation

Credit (These records keep track of who owes you and whether they are paying on time.)

Charge Account Application
Accounts Receivable Ledger
Accounts Receivable Aging List

Employees (These records maintain information legally required and are helpful in the efficient management of personnel.)

Record of Employee Earnings and Amounts Withheld
Employee's Withholding Exemption Certificate (Form W-4)
Record of Hours Worked
Record of Expense Allowances
Employment Applications
Record of Changes in Rate of Pay
Record of Reasons for Termination of Employment
Record of Employee Benefits
Job Descriptions
Crucial Incidents Record

Fixtures and Property (These keep facts needed for taking depreciation allowances and for insurance coverage and claims.)

Equipment Record
Insurance Register

Bookkeeping (These records, in addition to some of the above, are needed if you use a double-entry bookkeeping system.)

General Journal
General Ledger

"MAC" THE MANAGER

Directions: The following questions are designed to help you deal with some of the decisions "Mac" must make as the owner-manager of his company. Use Student Information Sheet 23, "Managing Your Business" as a guide in the administration of your duties as "Mac."

As Mac,

- Do you have to buy your "mice" or do you have to manufacture?
- Where will you buy your supplies from and why?
- How will you produce these mice?
- How will you set a price policy? What factors go into setting a price policy?
- How many people do you need? What are their responsibilities? Do they need special skills? Where will you look for them? And how will you train them?
- What kind of records must you keep and why?
- Who will be responsible for selling? What selling policies will you set?

YOU'RE THE MAN IN MANAGEMENT!*

Managing is the means used by businessmen to increase their profits and rate of growth. Management is a big subject, but it's not hard to learn if you take it one piece at a time.

Most successful small firms are run by their proprietors. So, we'll talk about owner-managing, which is top managing. You're like the president of a billion dollar corporation except that he has lots of help while you go it alone. That can work to your advantage when you know what's going on in your business as a glance.

The owner of a small business is an ordinary fellow who works hard and assumes more and more responsibility until one day he finds himself the head of a firm with lots of power. However, he's directing buying, pricing, marketing, and paying, and he is pleasing his customers while working with many touchy people. This leaves some small businessmen confused, scared, and mentally lonesome. A thousand quite every day but more than a thousand start, so the economy gets bigger.

Experience--A Dear Teacher

There are several ways to improve your management skills. The common way is through experience. But this is too slow and costly for modern small business. You can take courses ranging from three weeks to three months, but they are primarily for big business executives who can be spared and who can charge it to expense. The A-S-K method (see page 16) is another way, but you have to travel to meet other owners who have already done well what you want to know how to do.

The most practical way to improve steadily your skills while on the job is by "management reading." This is very effective when what you read can be put right into use. The purpose of such reading is to provide you with ideas which don't require the filtering of theory or the translation of language.

First, it's agreed you're engaged in a good business with a bright future for those who have what it takes. The better shopowner adds value to the economy, of which his profit or share is well deserved.

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*Small Business Administration. *Strengthening Small Business Management*. No. 4500-0114. Washington: U.S. Government Printing Office, 1971, pp. 18-21.

Your Judges

Success in business means pleasing all kinds of people so well that they remain your friends for life. But this is a social process. The material handling, the plant and machines, as well as the mathematics of it are incidental to the human relations. One man says, "It is energized good will."

Five kinds of people sit in constant judgment of each business owner. They are his customers, his employees, his suppliers, his bankers, and his competitors. Thousands of each kind have been asked, "What businessmen do you choose?" Their answers can be considered the truth.

People buy from businessmen who are the most helpful. They work for those who are the most generous. They sell to those who are the most enterprising. They finance those who have the best foresight, and they respect competitors who are the most efficient. So we can say that success in business is really the art of making friends.

Once this philosophy is accepted by the businessman, it is possible to help him proceed to better management. The important thing is to offer him ideas regularly. Then he'll be ready when opportunity knocks. Many say "Opportunity never knocked for an unprepared man." In other words, the more ideas a fellow has, the more opportunities he'll see. Here are some short hints which have helped people in business.

Listen to Employees

In an Eastern city, the head of a printing shop worked too long and hard and died suddenly. His widow had to take charge. What does a woman do in a situation like that? Being a woman, she used her intuition and began to see how to begin managing. Fortunately, she didn't have a man's strength to lift and carry or push and pull, or she too would have killed herself.

Instead she used her head. She would hold meetings of her seven employees even when she had nothing to say. She asked for their suggestions to improve the work.

They were surprised. Their opinions had never been sought before. It took three meetings to get them talking. When one proposed a way to save time or money, the rest considered the change from their separate angles. When a majority liked it, the new boss adopted it. The little group soon began to work together like they never had before. The oldest employee in experience was a woman in charge of the office and the records. She was gradually accepted as the owner's general assistant when the owner was out.

One New Customer Each Week

This was most of the time. The new owner read that the head of any business must create customers--must bring back any lost customers and steadily bring in new ones. She began to visit old customers to make sure they were pleased with their service. Then she asked if they would refer her to people who were in need of good printing on time at fair prices. Within a year in the new managing, the staff held a special meeting to celebrate the best year the company had ever had.

Mrs. Zilch (this is not her real name) explained where she picked up the ideas which made the business grow. She said, "I read that small business should hold employee meetings even though the boss has no orders to give. So I hold them on my time. Next, I read that every firm should gain at least one customer each week--that the head man should go out and get new business. It's too dangerous to wait for new business to walk in."

Profits from the Payroll

One shop owner said: "I used to hate payday. That was the day the help had money and I had none. I figured the help took food off my table. This was close to the truth. One time I hired a temporary typist at 70$ per hour--you can guess that was not recently. She worked five hours. I gave her $3.50 and went without lunch for a week.

"Then I read that it's smart to add an employee whenever you can find one who will work for less than you can earn. I also read that the men who own a certain type of business, get $3.39 for each $1 they pay out in wages. That opened my eyes. Employees are not an expense, they're an investment in new business.

"That saying had made a lot of money for me. Now I have 72 employees. I am personally making many times what I could scrape up when I tried to do it all alone. Of course, you have to select employees to fit each job and teach them to do what you want done. About all the physical work I do now is to regulate the temperature in this shop and keep the payroll happy and productive."

5 M's of Management

Nothing is so vital as an idea whose time has come. When an owner gets an idea he should put it into instant action. Ask a successful businessman what caused him to be successful. You'll be surprised how often he was sparked by a word or though. He will tell you how to make better use of your five resources--namely, markets, money, men, methods, and materials. These are the 5 M's of managing.